

## AGENDA

### A MEETING OF THE NHS FIFE AUDIT & RISK COMMITTEE WILL BE HELD ON THURSDAY 12 DECEMBER 2024 FROM 2PM TO 4PM VIA MS TEAMS

*Note: There will be a pre meeting of Non-Executive Members only at 1.30pm*

**Alastair Grant**  
Chair

		<i>Purpose</i>	
14:00	1. Apologies for Absence <b>(AG)</b>		
	2. Declaration of Members' Interests <b>(AG)</b>		
	3. Minutes of Previous Meeting held on Thursday 12 September 2024 <b>(AG)</b>	<b>(approval)</b>	(enc)
	4. Chair's Assurance Report presented to Fife NHS Board on 25 September 2024 <b>(AG)</b>	<b>(for information)</b>	(enc)
	5. Matters Arising / Action List <b>(AG)</b>	<b>(assurance)</b>	(enc)
14:10	6. <b>INTERNAL AUDIT</b>		
	6.1 Internal Audit Progress Report <b>(BH)</b>	<b>(assurance)</b>	(enc)
	6.2 Internal Controls Evaluation Report 2023/24 <b>(JL)</b>	<b>(decision)</b>	(enc)
14:25	7. <b>EXTERNAL AUDIT</b>		
	7.1 Annual Audit Plan 2023/24 <b>(CB)</b>	<b>(decision)</b>	(enc)
14:30	8. <b>RISK</b>		
	8.1 Corporate Risk Register <b>(MM)</b>	<b>(assurance)</b>	(enc)
	8.2 Risk Management Strategic Framework <b>(MM)</b>	<b>(decision)</b>	(enc)
	8.3 NHS Fife Board's Risk Appetite Statement <b>(MM)</b>	<b>(assurance)</b>	(enc)
15:00	9. <b>GOVERNANCE MATTERS</b>		
	9.1 Integrated Joint Board Annual Statement of Assurance <b>(A Valente)</b>	<b>(assurance)</b>	(enc)
	9.2 Integrated Joint Board Lessons Learned Report on Year-End 2023/24 <b>(A Valente)</b>	<b>(assurance)</b>	(enc)
	9.3 Audit Scotland report: NHS in Scotland 2024 – Finance & Performance <b>(MM)</b>	<b>(assurance)</b>	(enc)
	9.4 Losses & Special Payments Quarter 2 <b>(KB)</b>	<b>(assurance)</b>	(enc)
	9.5 Waiver of Competitive Tenders Quarter 2 <b>(KB)</b>	<b>(assurance)</b>	(enc)
	9.6 Review of Draft Annual Workplan 2025/26 <b>(MM)</b>	<b>(assurance)</b>	(enc)

**10. FOR ASSURANCE**

- 10.1 Audit Scotland Technical Bulletin 2024/3 **(KB)** **(assurance)** (enc)  
10.2 Delivery of Annual Workplan 2024/25 **(MM)** **(assurance)** (enc)

**11. ESCALATION OF ISSUES TO NHS FIFE BOARD**

- 11.1 Chair's comments on the Minutes / Any other matters (verbal)  
for escalation to NHS Fife Board

**12. MEETING REFLECTIONS & AGREEMENT OF MATTERS FOR CHAIR'S ASSURANCE REPORT TO BE PRESENTED TO FIFE NHS BOARD ON 26 NOVEMBER 2024**

**13. ANY OTHER BUSINESS**

15:30 **PRIVATE SESSION**

**14. Apologies for Absence (AG)**

**15. Declaration of Members' Interests (AG)**

- 16. Minutes of Previous Meeting held on Thursday 12 September 2024 (AG)** **(approval)** (enc)

**17. Matters Arising** (verbal)

- 18. Counter Fraud Service – Quarterly Report (Alerts & Referrals) (KB)** **(assurance)** (enc)

- 19. Progress on National Fraud Initiative (KB)** **(assurance)** (enc)

**20. Any Other Business**

Date of Next Meeting: **Thursday 13 March 2025 from 2pm - 4pm** via MS Teams

## Fife NHS Board

### Unconfirmed

## MINUTE OF THE AUDIT & RISK COMMITTEE MEETING HELD ON THURSDAY 12 SEPTEMBER 2024 AT 2PM VIA MS TEAMS

### Present:

Alastair Grant, Non-Executive Member (Chair)  
Anne Haston, Non-Executive Member  
Kirstie Macdonald, Non-Executive Member

### In Attendance:

Kevin Booth, Head of Financial Services & Procurement  
Andy Brown, Principal Auditor  
Jocelyn Lyall, Chief Internal Auditor  
Dr Gillian MacIntosh, Head of Corporate Governance & Board Secretary  
Maxine Michie, Deputy Director of Finance (*deputising for Margo McGurk*)  
Carol Potter, Chief Executive (*part*)  
Dr Shirley-Anne Savage, Associate Director of Risk & Professional Standards  
Hazel Thomson, Board Committee Support Officer (Minutes)

### Chair's Opening Remarks

The Chair welcomed everyone to the meeting.

The NHS Fife MS Teams Meeting Protocol was set out and a reminder given that the meeting is being recorded to aid production of the minutes.

#### 1. Apologies for Absence

Apologies were received from member Aileen Lawrie (Non-Executive Member) and routine attendees Chris Brown (Head of Public Sector Audit (UK), Azets), Barry Hudson (Regional Audit Manager) and Margo McGurk (Director of Finance & Strategy).

#### 2. Declaration of Members' Interests

There were no declarations of interest made by members.

#### 3. Minute of the last Meeting held on 20 June 2024

The minute of the last meeting was **agreed** as an accurate record.

#### 4. Action List / Matters Arising

The Audit & Risk Committee **noted** the update on the Action List in relation to progress in adopting the National Risk Management System.

## 5. INTERNAL AUDIT

### 5.1 Internal Audit Progress Report

The Chief Internal Auditor advised that the Internal Audit Plan 2023/24 is complete, and that non-discretionary aspects for the current year are progressing as expected. Assurance was provided that the weightings for audit work within the draft plan for 2024/25 is sufficient, in terms of meeting the deadline for the Annual Accounts sign-off. It was noted that, following challenges with recruitment, an Auditor has now been appointed, commencing on 5 October 2024.

In terms of the external quality assessment, which requires to be completed on a five yearly basis and is due in 2024/25, it was advised that the Institute of Internal Auditors have been asked to carry out that work and a proposal has been submitted to the FTF Partnership Board, for approval. The outcomes will thereafter be reported to the Committee.

An overview was provided on the Internal Audit Progress Report, with it being noted that all the internal audit products issued since the last report to the Committee are listed by strand of governance, and are summarised in the final section of the report.

It was reported that the Integrated Joint Board (IJB) Annual Report, full report and updated audit opinion, will be presented to the IJB Audit Assurance Committee on 13 September 2024. It was noted that the summary will be presented to the Committee, thereafter.

The two audits that are currently in progress were highlighted, and it was reported that non-discretionary work is ongoing.

The Committee took a **“significant” level of assurance** on progress with the 2024/25 Annual Internal Audit Plan and **noted** the completion of the 2023/24 and initial progress on the 2024/25 Annual Internal Audit Plans.

### 5.2 Internal Audit – Follow Up Report on Audit Recommendations 2023/24

The Principal Auditor reported that positive progress continues to be made in terms of implementing actions. It was reported that there are currently four remaining actions that have not been completed within one year of report publication, which relate to the Board finalising its risk appetite. Assurance was provided that this action is on target to be addressed by the revised target date. It was advised that the remaining three actions not completed within one year relate to the Internal Audit Report 2022/23 and have all been assessed as green. Further detail is included within appendix C.

Assurance was provided that there is a commitment to finalise the Board risk appetite work by December 2024, and the Principal Auditor agreed to contact the Director of Finance & Strategy for an update on this work.

The team were commended on a positive report.

The Committee took a “**significant**” level of assurance on the progress being made in implementing actions to address recommendations made in internal audit reports and **considered** the status of Internal Audit recommendations recorded within the Audit Follow Up system.

### 5.3 Draft Strategic Plan 2024-27 and Draft Operational Internal Audit Annual Plan 2024/25

The Chief Internal Auditor provided background detail on the planning process, advising that it has been aligned with the Scottish Government’s requirement for a three-year delivery of financial plans. It was reported that the three-year cycle provides an opportunity to react to emerging issues and changes in service delivery and will be risk based. It was noted that a mapping exercise has been carried out with the corporate risk register and Reform, Perform, Transform (RTP) programme of work to avoid duplication and to ensure that the audit work is aligned to the NHS Fife’s strategic objectives.

It was reported that the Executive Directors’ Group, at their 15 August 2024 meeting, considered the draft plans, and that a request was made for a stand-alone review in year one with a focus on the RTP governance arrangements and framework, including workstreams, groups and control.

The key points from the appendices were highlighted, and it was advised that they provide sufficient coverage over the strands of work. The timeline for the various elements of completion of the plan was provided, and it was advised that the plan will be revised in line with any changes to risk.

Following a question regarding weightings, it was advised that 20 days is sufficient for the supplementary staffing audit element, and that there will be scope for more time, should it be required.

The Committee took a “**significant**” level of assurance that the Draft Strategic and Operational Plans preparation and assessment process is conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) and the strategic and operational plans provide sufficient coverage to allow the Chief Internal Auditor to provide required year-end assurances.

The Committee also considered and **approved** the Strategic Plan 2024-27 and draft Operational Internal Audit Annual Plan 2024/25.

## 6. RISK

### 6.1 Corporate Risk Register

The Associate Director of Risk & Professional Standards reported that there continues to be 19 corporate risks, with some small deteriorations in their ratings. It was reported that a further review and mapping exercise is being taken forward, following the recent Clinical Governance Committee, in terms of the optimal outcome corporate risk, and the three operational risks that sit within the Acute Services, to determine if a new risk is required. It was advised that further consideration will also be given to potentially closing

the Whole System Capacity risk and moving this risk to an issue. The Associate Director of Risk & Professional Standards agreed to provide an update to the Committee, following the review.

**Action: Associate Director of Risk & Professional Standards**

It was reported that the new pandemic preparedness risk will be included in the next iteration of the Corporate Risk Register, and that early discussions are underway in relation to a potential new risk for drug & alcohol deaths.

Following a query in terms of the delivery of a balanced in-year financial position risk moving to an issue, it was explained that it can be difficult to determine when a risk becomes an issue, and that, due to the current financial position, the delivery of a balanced in-year financial position risk will remain as a corporate risk.

The Committee took a **“moderate” level of assurance** that all actions, within the control of the organisation, are being taken to mitigate the risks as far as is possible to do so.

## **6.2 Risk Management Key Performance Indicators (KPIs) 2023/24**

The Associate Director of Risk & Professional Standards presented the risk management KPIs for 2023/24 and advised that the data provides a summary of the risks held within the Corporate Risk Register, number of open and closed risks, and an assessment of our compliance against the KPIs. It was noted that there are fluctuations on a month-to-month basis, with reasons that are multifaceted. It was advised that the longevity of risks becoming issues will be explored.

It was advised that a review is currently underway for potentially moving from the current risk management system Datix to a new system InPhase, which is currently in place at a number of other Health Boards and has had positive feedback from those early adopters. It was noted that the move to a new system is expected take place before the end of March 2025, and that training will be available via TURAS.

The Committee took a **“moderate” level of assurance** from the update provided, and note that the Risk & Opportunities Group will continue to:

- Develop an implementation approach for the Risk Summary Dashboard.
- Continue to refine the associated KPIs.

## **6.3 Final Annual Risk Management Report 2023/24**

The Associate Director of Risk & Professional Standards advised that the Annual Risk Management Report 2023/24 is in its final version and was previously presented to the Committee in draft at its meeting in May.

The Committee took a **“moderate” level of assurance** from the report.

## **6.4 Risks & Opportunities Group Progress Report**

The Associate Director of Risk & Professional Standards provided an overview on the contents of the report and advised that the Risk & Opportunities Group continues to

develop. It was reported that the risk management framework will be finalised following conclusion of the Board risk appetite work.

Following a question, it was advised that members of the Risk & Opportunities Group undertake Horizon Scanning as part of their process, suggest areas of interest or focus, and that there is wide representation on that group.

The Committee took a **“moderate” level of assurance** from the update provided.

## **7. GOVERNANCE MATTERS**

### **7.1 Blueprint for Good Governance Action Plan Update**

The Board Secretary advised that, following a questionnaire submitted to the Scottish Government in 2023, and the subsequent self-assessment results reviewed through a dedicated Board Development Session with NHS Education for Scotland colleagues, a Blueprint for Good Governance Action Plan was devised and approved by NHS Fife Board in March, with the Audit & Risk Committee the responsible body for monitoring progress.

It was reported that no feedback has been received, to date, from the Scottish Government in relation to the plan, and that the Committee will have oversight for ensuring that actions are completed, as agreed with NHS Fife Board. It was advised that there are currently five closed actions, and an update was provided on progress for the three remaining open actions in relation to the risk appetite, diversity of the NHS Fife Board and assurance mapping work, which forms part of the Once for Scotland approach that is currently being undertaken.

Discussion followed, and it was reported that the structure of the NHS Fife Board is set by the Scottish Government, and that NHS Fife can influence the Scottish Government’s public appointments team in relation to communicating vacancies to as diverse a population as possible, which has been successful previously. It was also reported that Board Members’ term dates are provided within the Board Members’ Handbook, which is available online.

The Committee took a **“moderate” level of assurance** and **noted** progress in delivery of the Board’s current Improvement Plan.

### **7.2 Integrated Joint Board (IJB) Annual Assurance Statement 2023/24**

The Chief Internal Auditor provided a verbal update and advised that the IJB Annual Internal Audit Report will be presented at their Audit & Assurance Committee meeting on 13 September 2024, and summarised to the Committee thereafter. It was advised that the IJB Annual Assurance Statement has not been received by the NHS Board, to date, and it was agreed to request a representative from the IJB present the final assurance statement at the Committee’s December meeting. It was noted that discussions are underway to align the IJB meeting dates with NHS Fife’s key meeting dates, to ensure assurances can be provided in as timely a manner as possible.

### 7.3 Losses & Special Payments Quarter 1 2024/25

The Head of Financial Services & Procurement provided an update on the quarter 1 report, and advised that there were 181 losses, which is comparable to the previous quarter. It was advised that the value has significantly reduced to £196,509 compared to £470,374 the previous quarter, which is as a result of the reduction in the value of clinical negligence payments paid within the quarter. It was also advised that the overall reduction in the losses and special payments outwith clinical and non-clinical ex-gratia compensation payments is due to no debtors' review being carried out within quarter 1.

Assurance was provided that there have been no significant findings or concerns raised in relation to those losses and special payments itemised in the quarter.

Following a question, in relation to the losses in relation to buildings & fixtures, an explanation was provided around the costs for vandalism.

The Committee took a **“significant” level of assurance**.

### 7.4 Procurement Tender Waivers Compliance Quarter 1 2024/25

The Head of Financial Services & Procurement reported that there were no waivers of competitive tender applied across the procurement function in quarter one, and as a result, NHS Fife Board does not have any exposure to risk in regard to compliance with this process, following quarter one.

The Committee took a **“significant” level of assurance** that the Procurement process for the waiver of competitive tenders was correctly applied in the period.

### 7.5 Corporate Calendar – Proposed Audit & Risk Committee Dates 2025/26

The Board Secretary reported that the Corporate Calendar for 2025/26 will be presented to the NHS Fife Board at their September 2024 meeting. It was noted that the IJB dates are awaited and may result in a slight amendment to the current proposed dates. The Chair requested consideration to the proposed Committee dates for 2025/26 in terms of aligning to the IJB meeting dates and ensuring that there is sufficient time between meetings for members who sit on both bodies.

**Action: Board Committee Support Officer**

## 8. FOR ASSURANCE

### 8.1 Audit Scotland Technical Bulletin 2024/1 & 2024/2

The Committee took a **“significant” level of assurance** from the Audit Scotland Technical Bulletins for 2024/1 & 2024/2.

### 8.2 Delivery of Annual Workplan 2024/45

The Committee took **assurance** from the tracked workplan, noting that all agenda items are on track as per their schedule.



**9. ESCALATION OF ISSUES TO NHS FIFE BOARD**

There were no matters to escalate to NHS Fife Board.

**10. MEETING REFLECTIONS & AGREEMENT OF MATTERS FOR CHAIR'S ASSURANCE REPORT TO BE PRESENTED TO FIFE NHS BOARD ON 25 SEPTEMBER 2024**

The reflections from the meeting & agreement of matters will be considered by the Chair for onward submission to NHS Fife Board. The report will be provided to the following Committee meeting for information.

**11. ANY OTHER BUSINESS**

There was no other business.

**Date of Next Meeting:** Thursday 12 December 2024 from 2pm - 4pm via MS Teams

**Unconfirmed**

**Meeting: Audit & Risk Committee**

**Meeting date: 12 September 2024**

**Title: Committee Chair's Assurance Report**

**1. Committee's Performance against Annual Workplan**

**1.1** The Committee reviewed the workplan for the financial year 2024/25.

The Internal Audit Review of Property Transactions Report 2023/24 was removed as there were no transactions, and a nil report will be submitted to the Scottish Government.

**2. The Committee considered the following items of business:**

**2.1** The Committee took a "moderate" level of assurance from the Blueprint for Good Governance Action Plan update and noted progress in delivery of the Board's current Improvement Plan.

**2.2** The IJB Annual Internal Audit Report will be presented to the Audit & Assurance Committee meeting on 13 September 2024, and summarised to the Committee thereafter.

**3. Delegated Decisions taken by the Committee**

None.

**4. Update on Performance Metrics**

None.

**5. Update on Risk Management**

**5.1** The Committee took a "moderate" level of assurance that all actions, within the control of the organisation, are being taken to mitigate the risks as far as is possible to do so. There continues to be 19 corporate risks, with some small deteriorations in their ratings.

**5.2** The Committee took a "moderate" level of assurance from the Risk Management Key Performance Indicators 2023/24. A review is currently underway for potentially moving from the current risk management system Datix to a new system InPhase.

**5.3** The Committee took a "moderate" level of assurance from the Final Annual Risk Management Report 2023/24.

**5.4** The Committee took a “moderate” level of assurance from the Risks & Opportunities Group Progress Report. It was noted that the risk management framework will be finalised following conclusion of the Board risk appetite work.

**6. Any other Issues to highlight to the Board:**

None.

**Alastair Grant**  
**Chair**  
**Audit & Risk Committee**

<b>KEY:</b>	Deadline passed / urgent
	In progress / on hold
	Closed

**AUDIT & RISK COMMITTEE – ACTION LIST**  
**Meeting Date:** Thursday 12 December 2024



NO.	DATE OF MEETING	AGENDA ITEM / TOPIC	ACTION	LEAD	COMMENTS / PROGRESS	RAG
1.	12/09/24	<b>Corporate Risk Register</b>	To provide an update to the Committee, following a further review and mapping exercise, which is being taken forward, in terms of the optimal outcome corporate risk, the three operational risks that sit within the Acute Services and the Whole System Capacity risk.	<b>SAS</b>	Work has been carried out on these risks with the Medical Director and Director of Acute Services and is being presented to the Executive Directors' Group in December 2024 for discussion, followed by the Clinical Governance Committee in January 2025. Once agreed, will be brought back to this Committee.	March 2025

## NHS Fife

<b>Meeting:</b>	<b>Audit and Risk Committee</b>
<b>Meeting date:</b>	<b>12 December 2024</b>
<b>Title:</b>	<b>Internal Audit Progress Report</b>
<b>Report Author:</b>	<b>Barry Hudson, Regional Audit Manager Jocelyn Lyall, Chief Internal Auditor</b>

### Executive Summary:

- The report provides the Audit and Risk Committee with Moderate Assurance that the Chief Internal Auditor's (CIA) year end opinion on adequacy and effectiveness of internal controls will be provided through the 2024/25 Internal Control Evaluation (ICE) and Annual Internal Audit Annual Report as part of the Annual Accounts review process.
- In relation to the completion of the approved Internal Audit Plan, at this stage there is only Limited Assurance that the full plan for 2024/25 will be delivered in year. Staff resource issues have impacted on delivery and there is a risk that the Internal Audit annual plan 2024/25 will need to be flexed to reflect available staffing.
- We have identified two 2024/25 audits to be risk assessed for inclusion in the 2025/26 plan and for all remaining 2024/25 audits we will aim to make efficiencies in delivery.

## 1 Purpose

### This report is presented for:

- Assurance
- Discussion

### This report relates to:

- Local policy

### This report aligns to the following NHSScotland quality ambition(s):

- Safe
- Effective
- Person Centred

## 2 Report summary

### 2.1 Situation

The purpose of this report is to provide the Audit and Risk Committee with:

- Moderate Assurance that the CIA's year end opinion on adequacy and effectiveness of internal controls will be provided through the 2024/25 ICE and Annual Internal Audit Annual Report.
- Limited Assurance on the progress of the remaining audits within the 2024/25 Internal Audit Plan.

### 2.2 Background

The internal audit year runs from May to April. The Internal Audit team continues to progress the reviews from the 2024/25 Internal Audit Plan under the supervision of the CIA. The focus of internal audit work since the September meeting has been the ICE, which has been prioritised with the agreement of the Director of Finance. Audit work completed allows the CIA to provide the necessary assurances prior to the signing of the annual accounts.

The work of Internal Audit and the assurances provided by the CIA in relation to internal control are key assurance sources considered when the Chief Executive undertakes the annual review of internal controls, and form part of the consideration of the Audit and Risk Committee and the Board prior to finalising the Governance Statement, which is included and published in the Board's Annual Accounts.

A large element of our year-end assurance work will be delivered through the ICE for 2024/25 which will be considered at the December 2024 Audit and Risk Committee meeting.

Action to progress recommendations from the 2023/24 Annual Internal Audit Report and 2024/25 ICE will be reported in the 2024/25 Annual Report and monitored throughout the year via the Audit Follow Up system.

### 2.3 Assessment

Progress on the 2024/25 Internal Audit Plan has been limited due to high levels of sick leave and delays in recruiting to vacancies in the FTF structure.

For the period 1 May to 6 December 2024, the NHS Fife team has been unable to deliver 53 days due to sickness absence, with that figure expected to rise by 20 days over the next month.

The 2024/25 NHS Fife Annual Internal Audit Plan was reduced by 48 days from the previous year to reflect a decrease in days due to vacancies and the time taken to successfully recruit. However, due to delays in the recruitment process the actual days lost was 76 i.e. an additional 28 days.

For 2024/25 (up to 6 December 2024), the delivery of the NHS Fife plan has been impacted by approximately 81 days (Sickness 53 days and 28 days for

recruitment), with this overall figure to possibly increase as two members of the team are currently on long term sickness absence leave.

The CIA is actively monitoring the position and has discussed the implications for delivery of the annual plan with the Director of Finance and Strategy. To mitigate this risk in the short term and to cover the Fife staffing shortfall, three qualified and experienced auditors from the other FTF Health Board teams have contributed to the NHS Fife 2024/25 ICE work.

We have identified the following reviews to be removed from the 2024/25 Internal Audit Plan for risk assessment as part of the planning for 2025/26:

- B19/25 Supplementary Staffing – 20 days
- B23/25 Digital and Information Strategy and Governance – 18 days

If further amendments to the Internal Audit Plan are required, members will be asked to review and approve these electronically, prior to the next Audit and Risk Committee in March 2025.

The External Quality Assessment (EQA) is ongoing, and meetings have been held by the Chartered Institute of Internal Auditors Assessors with a sample of FTF staff and key stakeholders. The EQA report will be presented to the March 2025 Audit and Risk Committee meeting.

Progress on implementation by management of agreed internal audit actions is monitored by Internal Audit through the Audit Follow-Up System and is reported regularly to the Audit and Risk Committee and Executive Directors Group.

This report provides the following Levels of Assurance:

### Internal Audit Annual Reports and Internal Control Evaluation

	Significant	Moderate	Limited	None
Level		x		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

## Delivery of the full 2024/25 Internal Audit Plan

	Significant	Moderate	Limited	None
Level			X	
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

The Institute of Healthcare Improvement Triple Aim (Better population health, better quality of patient care, financially sustainable services) is a framework that describes an approach to optimising health system performance and is a core consideration in planning all internal audit reviews.

### 2.3.2 Workforce

Management responsibilities, skill sets and structures are a core consideration in planning all internal audit reviews.

### 2.3.3 Financial

Financial Governance is a key pillar of the Annual Internal Audit Plan and value for money is a core consideration in planning all internal audit reviews.

### 2.3.4 Risk Assessment / Management

The process to produce the Annual Internal Audit Plan considers inherent and control risk for all aspects of the Internal Audit Universe. Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legislative requirements are a core consideration in planning all internal audit reviews.

As detailed in the assessment section, the requirement to recruit to two vacant Principal Auditor posts and sickness absence is likely to impact on delivery of FTF Annual Internal Audit Plans.

The risk 'Compliance with Internal Audit Framework' is recorded on the FTF risk register and is described as:

'There is a risk that due to the cumulative effect of resource challenges and complexity of audits with generally higher risks and control issues, internal audit



may not comply fully with the Internal Audit Framework, comprising the Audit Charter and the Specification for Internal Audit Services. This includes:

- Compliance with Public Sector Internal Audit Standards
- Compliance with the Service Specification, specifically:
  - Delivery of the agreed annual internal audit plan
  - Provision of assurance throughout the year
  - Achievement of quality and performance measures
  - Provision of an opinion to the Chief Executive as Accountable Officer for yearend assurance.

This risk is scored as Moderate, and 13 controls have been identified to mitigate the risk.

To mitigate this risk, as noted in the assessment section of this report, audit work related to the delivery of the Annual Internal Audit Report to support the CIA's annual opinion has been prioritised.

### **2.3.5 Equality and Human Rights, including children's rights, health inequalities and Anchor Institution ambitions**

All internal audit reviews which involve review of policies and procedures examine the way in which equality and diversity is incorporated in Board documentation.

### **2.3.6 Climate Emergency & Sustainability Impact**

N/A

### **2.3.7 Communication, involvement, engagement and consultation**

All papers have been produced by Internal Audit and shared with the Director of Finance and Strategy.

### **2.3.8 Route to the Meeting**

This paper has been produced by the Regional Audit Manager and reviewed by the Chief Internal Auditor.

## **2.4 Recommendation**

This paper is provided to members for:

- **Assurance** – This report provides a **“Moderate” Level of Assurance** on delivery of key year end and midyear reports and **“Limited” Level of Assurance** on the remaining reviews within the 2024/25 Annual Internal Audit Plan.
- **Discussion** – note the progress on the 2024/25 Annual Internal Audit Plan.
- **Decision** – approve the removal of B13/25 and B19/25 as part of the risk assessment of the 2025/26 Internal Audit Planning.

### 3 List of appendices

The following appendices are included with this report:

Appendix A – Internal Audit Progress Report highlighting:

- Finalised Internal Audit reports
- Internal Audit reports issued in draft at the time of submission of papers for the Audit and Risk Committee
- Internal Audit Work in Progress and Planned
- A summary of Internal Audit Reports issued since the last Audit and Risk Committee.

#### **Report Contact**

Barry Hudson

Regional Audit Manager

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# FTF Internal Audit Service

## Internal Audit Progress Report

## Introduction

This report presents the progress of Internal Audit activity to 3 December 2024.

## Internal Audit Activity

Since the last progress report to the Audit and Risk Committee on 12 September 2024, the Internal Control Evaluation report has been issued and is at agenda item 6.2. This reflects the pressures highlighted in this progress report.

### NHS Fife Completed Audit Work

Audit 2024/25	Opinion on Assurance	Recommendations	Draft issued	Finalised
<b>Corporate Governance</b>				
B07/25 Internal Control Evaluation	N/A	2 Significant 6 Moderate 1 Merits Attention	4 December 2024	6 December 2024

### NHS Fife Work in Progress and Planned:

Audit 2024/25		Status	Target Audit and Risk Committee
B13/25	Environmental Management	Fieldwork	March 2025
B17/25	Medicines Management	Planning	March 2025
B18/25	Recruitment	Fieldwork	March 2025



**Meeting:** Audit and Risk Committee  
**Meeting date:** 12 December 2024  
**Title:** Internal Control Evaluation  
**Report Author:** J Lyall – Chief Internal Auditor

## **Executive Summary:**

- This Internal Control Evaluation (ICE) aims to provide early warning of any significant issues that may affect the Governance Statement.
- The report highlights the exceptionally challenging circumstances NHS Fife is facing and highlights areas of good practice. Key to the future performance of the Board is Reform, Transform, Perform (RTP), which will require a continuing focus and pace of change to achieve its objectives for 2024/25.
- The ICE was issued to the Director of Finance and Strategy on the 4 December 2024 and will require input from the Executive Directors Group (EDG) to agree final Management Responses. Once the EDG have reviewed the report and updated the recommendations, the Final Report will be issued to members and will be presented to the March 2025 Audit and Risk Committee for formal approval.
- Once the Final Report has been issued to the Audit and Risk Committee members, the report should be presented to each Standing Committee of NHS Fife.

# 1 Purpose

**This report is presented for:**

- Assurance
- Discussion

**This report relates to a:**

- Local policy

**This aligns to the following NHSScotland quality ambition(s):**

- Safe
- Effective
- Person Centred

## 2 Report summary

### 2.1 Situation and Background

As Accountable Officers, Chief Executives are responsible for maintaining a sound system of internal control to manage and control all the available resources used in the organisation. The work of Internal Audit and the assurances provided by the Chief Internal Auditor in relation to internal control are key assurance sources taken into account when the Chief Executive undertakes the annual review of internal controls, and form part of the consideration of the Audit and Risk Committee and the Board prior to finalising the Governance Statement which is included and published in the Board's Annual Accounts.

### 2.3 Assessment

#### Key Themes

Over the last four years Internal Audit has reported that long term risks can only be mitigated through strategic change. The Audit Scotland NHS in Scotland 2024 report highlighted the need to focus more on longer term reform and that difficult decisions about what the NHS should potentially stop doing will be necessary. Stakeholders must be consulted on change and their views must be considered in the decision making to ensure quality of care and best value from available resources.

We reiterate our previous commentary that there must be an impetus to 'do things differently' and to prioritise in line with a clearly communicated, realistic and coherent integrated, Fife-wide strategic direction for transformation, within the available financial and staffing envelope.

Collaborative clarity of vision will be essential to enable Fife to develop an integrated transformation plan and to build on the first year of RTP to effectively and efficiently deliver good quality healthcare services whilst making required recurring savings.

The current significant financial and service challenge across health and social care will require NHS Fife, Fife Council, the IJB and the wider partnership to work together effectively.

The Audit Scotland NHS in Scotland 2024 Finance and Performance report noted that Scotland's NHS is still struggling to deliver care in a timely way; most waiting times standards are not being met and overall performance has not changed markedly at a national level in the last year.

It is important that the impact of the overall Public Health and Wellbeing Strategy on the health and wellbeing of the population of Fife is monitored, and that performance reporting enables measurement against realistic, challenging, achievable trajectories within available resources.

The Public Health and Wellbeing Committee (PHWC) has an extensive and well managed agenda and will have an increasingly important role as the national Population Health Framework develops.

Financial sustainability remains a significant and enduring risk for all Health Boards and for NHS Fife. The financial deficit before savings for 2024/25 was £53.507m with £25m of savings to be achieved, leaving a £28.507m overspend.

Reporting on RTP, which aims to achieve the required 3% (£25m of savings), has been transparent and has evolved during the year to date. The RTP Framework is now well embedded, but the agenda is extremely challenging and will become more so in the future. Reporting must be transparent, overt, and realistic in terms of the achievability of savings, with barriers to achievement clearly reported. Looking ahead to 2025/26, plans must be based on realistic and validated data, with lessons learned from year 1 applied.

The November 2024 Board was informed that that there is a reasonable level of confidence that £23.6m of the 3% efficiency target will be achieved and a further push is now on to bridge the £1.4m gap in projected delivery in quarter three. However, achievement of the £25m savings for 2024/25 and the remaining five months of the financial year may not be possible with winter pressures now impacting. NHS Fife cannot rely on non-recurring savings as this will adversely impact on future years financial gaps.

There remains a strong risk that the Board will not meet or improve on the original £30m forecast deficit reported in the financial plan in March 2024.

Pressures on capital funding may impact on the Board's ability to address the pressures it is currently facing, as well as investing in longer-term reform such as innovation and technology.

Workforce risks remain very high across NHSScotland and our previous ICE and Annual Reports highlighted the well-known workforce risks and the potential impact on service delivery. Capacity, including the impact of vacancies and sickness absence remains a significant risk, with supplementary staffing costs a continuing, if improving, financial pressure.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		X		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk



	amount of residual risk or none at all.	moderate amount of residual risk.		
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### 2.3.1 Quality, Patient and Value-Based Health & Care

The Institute of Healthcare Improvement Triple Aim (Better population health, better quality of patient care, financially sustainable services) is a framework that describes an approach to optimising health system performance and is a core consideration in planning all internal audit reviews.

### 2.3.2 Workforce

Management responsibilities, skill sets and structures are a core consideration in planning all internal audit reviews.

### 2.3.3 Financial

Financial Governance is a key pillar of the Annual Internal Audit Plan and value for money is a core consideration in planning all internal audit reviews.

### 2.3.4 Risk Assessment / Management

The process to produce the Annual Internal Audit Plan considers inherent and control risk for all aspects of the Internal Audit Universe. Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legislative requirements are a core consideration in planning all internal audit reviews.

As detailed in the assessment section, the requirement to recruit to two vacant Principal Auditor posts and sickness absence is likely to impact on delivery of FTF Annual Internal Audit Plans.

The risk 'Compliance with Internal Audit Framework' is recorded on the FTF risk register and is described as:

'There is a risk that due to the cumulative effect of resource challenges and complexity of audits with generally higher risks and control issues, Internal Audit may not comply fully with the Internal Audit Framework, comprising the Audit Charter and the Specification for Internal Audit Services. This includes:

- Compliance with Public Sector Internal Audit Standards
- Compliance with the Service Specification, specifically:
  - Delivery of the agreed annual Internal Audit Plan
  - Provision of assurance throughout the year
  - Achievement of quality and performance measures
  - Provision of an opinion to the Chief Executive as Accountable Officer for yearend assurance.

This risk is scored as Moderate and 13 controls have been identified to mitigate the risk.

To mitigate this risk, as noted in the assessment section of this report, audit work related to the delivery of the Annual Internal Audit Report to support the Chief Internal Auditor's annual opinion has been prioritised.

### **2.3.5 Equality and Human Rights, including children’s rights, health inequalities and Anchor Institution ambitions**

All internal audit reviews which involve review of policies and procedures examine the way in which equality and diversity is incorporated in Board documentation.

### **2.3.6 Climate Emergency & Sustainability Impact**

N/A

### **2.3.7 Communication, involvement, engagement and consultation**

All papers have been produced by Internal Audit and shared with the Director of Finance and Strategy. The draft ICE report has been shared with Directors to confirm the factual accuracy of each section.

### **2.3.8 Route to the Meeting**

This paper has been produced by the Regional Audit Manager and reviewed by the Chief Internal Auditor, then presented to the Audit and Risk Committee for initial discussion. The EDG will then review the report and update the recommendations, with the Final Report issued to members as soon as it is finalised and presented for consideration to the March 2025 Audit and Risk Committee.

## **2.4 Recommendation**

This paper is provided to members for:

- **Assurance** – This report provides a Moderate Level of Assurance.
- **Discussion** – Discuss and take assurance from the Internal Control Evaluation
- **Decision** – Agree for the ICE to be presented to each Standing Committee

## **3 List of appendices**

The following appendices are included with this report:

- Appendix No. 1, Internal Control Evaluation Draft Final Report

### **Report Contact**

Jocelyn Lyall

Chief Internal Auditor

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# FTF Internal Audit Service

## Internal Control Evaluation 2024/25 Report No. B07/25

**Issued To:** C Potter, Chief Executive  
M McGurk, Director of Finance and Strategy and Deputy Chief Executive

G MacIntosh, Head of Corporate Governance/Board Secretary  
Executive Directors Group  
H Thomson, Board Committee Support Officer

Audit Follow-Up Co-ordinator

Audit and Risk Committee  
External Audit

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Target Audit and Risk Committee without Management Responses	12 December 2024
<b>Draft Report Issued</b>	<b>04 December 2024</b>
Management Responses Received	TBC
Target Audit & Risk Committee with Management Responses	13 March 2025
<b>Final Report Issued</b>	<b>TBC</b>

## EXECUTIVE SUMMARY

1. As Accountable Officers, Chief Executives are responsible for maintaining a sound system of internal control and to manage and control all the available resources used in the organisation. This review aims to provide early warning of any significant issues that may affect the Governance Statement.

## OBJECTIVE

2. Together, the mid-year Internal Control Evaluation report (ICE) and the Annual Report provide assurance on the overall systems of internal control, incorporating the findings of any full reviews undertaken during the year and providing an overview of areas which have not been subject to a full audit. These reviews do not, and cannot, provide the same level of assurance as a full review but do allow an insight into the systems which have not been audited in full. The ICE review provides early warning of potential year-end assurance issues and allows a holistic overview of governance within NHS Fife.
3. The Annual Delivery Plan (ADP) 2024/2025 was signed off by the Scottish Government on 28 May 2024. The three-year Medium Term Financial Plan 2024/25 to 2026/27 (MTFP) was approved by Board on 26 March 2024. The Scottish Government acknowledged the Financial Plan for 2024/25 but did not approve it. As reported to Fife NHS Board on 25 September 2024, it remains unapproved, and dialogue is ongoing.
4. The ICE report will be presented to the 12 December 2024 Audit and Risk Committee meeting, providing a detailed assessment of the adequacy and effectiveness of internal control, which should allow remedial actions to be taken before year-end, allowing the year-end process to be focused on year-end assurances and confirmation that the required actions have been implemented. The ICE will also provide a detailed assessment of action taken to address previous internal audit recommendations from the 2023/24 ICE and Annual Report.
5. This review will be a key component of the opinion we provide in our Annual Report and will inform the 2025/26 Internal Audit planning process.
6. Our audit specifically considered whether:
  - Governance arrangements are sufficient, either in design or in execution, to control and direct the organisation to ensure delivery of sound strategic objectives.

## AUDIT OPINION

7. Ongoing and required developments and recommended actions are included at Section 2.
8. Our Annual Report was issued on 14 June 2024 and was informed by detailed review of formal evidence sources including Board, Standing Committee, Executive Directors Group (EDG), and other papers.
9. As well as identifying key themes, our Annual Report made three specific recommendations in the following areas:
  - Within the Clinical Governance Oversight Group (CGOG) Annual Report, references to External Assurance reporting will be included in future iterations.
  - Reporting to Clinical Governance Committee (CGC) should include clear scheduling of the revision process for the Digital & Information (D&I) Strategy including presentation to D&I Board, CGC and ultimately to Fife NHS Board for approval.

- Assurance regarding the review status of D&I policies not included in the Information Governance & Security (IG&S) Accountability and Assurance Framework report should be regularly provided to the D&I Board.
10. Outstanding actions from our previous ICE and Annual Report recommendations are shown in Table 1. The two actions relating to digital have been completed since the issue of our Annual Report and the planned completion of the recommendation about external assurance reporting to CGOG will be validated at year end.
  11. Overall, there has been good progress on actions to address recommendations from the 2023/24 ICE and Annual Report. Where action is still to be concluded, the Board has been informed of the planned approach and timescales, as well as associated improvement plans.
  12. In this report we have provided an update on progress to date and, where appropriate, built on and consolidated previous recommendations to allow refreshed action and completion dates to be agreed.
  13. We recommend that this report is presented to each Standing Committee so that key themes can be discussed and progress against the recommendations can be monitored.

## KEY THEMES

14. Detailed findings are shown later in the report, and for context, relevant Corporate Risks against each strand of Corporate Governance are included. Key themes emerging from this review and other audit work during the year are detailed in the following paragraphs.
15. Since 2021/22, Internal Audit has reported that long term risks can only be mitigated through strategic change. The Audit Scotland NHS in Scotland 2024 report highlighted the need to focus more on longer term reform and highlighted that difficult decisions about what the NHS should potentially stop doing will be necessary. Stakeholders must be consulted on change and their views must be considered in the decision making to ensure quality of care and best value from available resources.
16. We reiterate our previous commentary that there must be an impetus to 'do things differently' and to prioritise in line with a clearly communicated, realistic and coherent integrated, Fife wide strategic direction for transformation, within the available financial and staffing envelope.
17. The NHS in Scotland 2024 report emphasised that effective leadership and collaboration are essential and that senior leaders must have a clear vision and strategic direction for reform. Collaborative clarity of vision will be essential to enable Fife to develop an integrated transformation plan and to build on the first year of Reform, Transform and Perform (RTP) to effectively and efficiently deliver good quality healthcare services whilst making required recurring savings.
18. The current significant financial and service challenge across health and social care will require NHS Fife, Fife Council, the IJB and the wider partnership to work together effectively. Collaborative governance requires a clear understanding of responsibilities, trust and willingness from all parties to work together, with the right culture in place to support all partners.
19. The Audit Scotland NHS in Scotland 2024 Finance and Performance report noted that Scotland's NHS is still struggling to deliver care in a timely way; most waiting times standards are not being met. Only two out of nine national standards reviewed by Audit Scotland were being met for the quarter ending June 2024. Performance against five of the standards improved in the year to June 2024, but overall performance has not changed markedly at a national level in the last year.
20. The Public Health and Wellbeing Strategy (PHWS) was approved in March 2023 and covers the period to 2028. It is important that the impact of the overall Strategy on the health and wellbeing of the population of Fife is monitored, and that performance reporting through the Integrated

Performance and Quality Report (IPQR) enables measurement against realistic, challenging, achievable trajectories within available resources.

21. In June 2024 the Cabinet Secretary for NHS Recovery, Health and Social Care described the overarching vision as ‘a Scotland where people live longer, healthy and fulfilling lives’, supported by four key areas of work: improving population health; a focus on prevention and early intervention; providing quality services; maximising access, with all of these underpinned by putting people at the heart of those services. The PHWC has an extensive and well managed agenda and will have an increasingly important role as the national Population Health Framework develops.
22. Financial sustainability remains a significant and enduring risk for all Health Boards and for NHS Fife. The financial deficit before savings for 2024/25 was £54.750m with £25m of savings to be achieved, leaving a £29.750m overspend.
23. Reporting on RTP, which aims to achieve the required 3% (£25m of savings) has been transparent and has evolved during the year to date. The RTP Framework is now well embedded, but the agenda is extremely challenging and will become more so in the future. Reporting must be overt, and realistic in terms of the achievability of savings, with barriers to achievement clearly reported. Looking ahead to 2025/26, plans must be based on realistic and validated data, with lessons learned from year 1 applied.
24. Where RTP workstreams are underperforming there has been additional reporting to quantify actions to bridge the financial gap. Achievement of the £25m savings for 2024/25 in the remaining five months of the financial year may not be possible with winter pressures now impacting. In the recent Quarter 2 review Scottish Government highlighted that *“It is vital the Board continues to work towards the savings target set of at least 3% recurring savings against baseline budget, as well as progressing further non recurrent measures and assessment of difficult choices to bring the position back towards financial breakeven which remains the statutory responsibility of the Accountable Officer to achieve.”*
25. At the end of October 2024, £11.968m of savings was anticipated across the 13 RTP schemes with £9.349m confirmed as delivered, a shortfall on plan of £2.618m. The November 2024 Board was informed that that there is a reasonable level of confidence that £23.6m of the 3% efficiency target will be achieved and a further push is now on to bridge the £1.4m gap in projected delivery in quarter three. NHS Fife cannot rely on non-recurring savings as this will adversely impact on future years financial gaps and the split between recurring and non-recurring savings should be clearly identified and reported.
26. Whilst we concluded that financial reporting through governance structures is transparent with a focus on known areas of overspend, for example the IJB Recovery Plan for 2024/25, there remains a strong risk that the Board will not meet or improve on the original £30m forecast deficit reported in the financial plan in March 2024. The achievement of financial balance in year corporate risk has a moderate target of 16 by 31 March 2025, which with the known circumstances, appears to be unachievable.
27. The known reductions in capital funding and the resultant risk will be a key consideration for the Board and will require careful management to mitigate the impact on the revenue budget and transformation. A reduction in capital funding may impact on the Board’s ability to address the pressures it is currently facing, as well as investing in longer-term reform such as innovation and technology.
28. Governance arrangements remain robust, and we commend the reporting of assurance levels to focus reporting and facilitate scrutiny and challenge from members.
29. We were pleased to note that the corporate risks are being actively reviewed and we have made recommendations to ensure risk scores and targets are realistic in terms of the internal and external environment, and that risks are reviewed in the context of the whole risk register with

interconnections between risk explored. The programme of deep dives for the extant corporate risk register has been completed and we would encourage the reinstatement of this when the revised risks are agreed. Agreement of risk appetite will inform the corporate risk register review.

30. Workforce risks remain very high across NHSScotland and the NHS Fife workforce planning and delivery risk is scheduled for review in March 2025, following issue of anticipated Scottish Government guidance. Our previous ICE and Annual Reports highlighted well known workforce risks and the potential impact on service delivery. Capacity, including the impact of vacancies and sickness absence remains a significant risk, with supplementary staffing costs a continuing, if improving, financial pressure.
31. The Clinical Governance Strategic Framework outlines the governance and assurance reporting routes for clinical governance throughout the full span of NHS Fife responsibilities. An improvement plan is in place to address known issues with adverse events management, and further work is required to improve complaints management performance.
32. This report contains several recommendations that reflect the changes to the risk environment in which the Board operates. Our recommendations are aimed at ensuring coherence between Governance Structures, Performance Management, Risk Management and Assurance.

## KEY DEVELOPMENTS SINCE THE ISSUE OF THE ANNUAL REPORT INCLUDED:

- Approval of Board Corporate Objectives 2024/25.
- Population Health and Wellbeing Strategy 2024-25 Midyear Report to Board.
- Agreement of allocation of the additional £7.2m of National Resource Allocation Formula (NRAC) funding in 2024/25.
- Updates provided to the NHS Fife Board and Finance, Performance and Resources Committee (FPRC) on the NHS Support and Intervention Framework (currently Level 2).
- Board consideration of a Blueprint for Good Governance Improvement Plan update on progress.
- Board and PHWC consideration of a Sustainability and Greenspace Progress Report and achievements relating to the NHS Fife 2030 Greenspace Strategy.
- Procurement Strategy approved by the FPRC in September 2024.
- Ongoing work by external consultants on a system wide Bed modelling exercise indicating Clinical and Financial options for future planning.
- Development of a Crisis Communications Strategy in Response to Cyber Attack or Major Systems Outage in NHS Fife.
- Board approval of a revised Board Risk Appetite Statement.
- Ongoing work to agree staffing establishment, with a focus on data quality, to inform the new Workforce Plan for effective delivery of services.
- Establishment of the RTP People and Change Board to deliver safe, sustainable workforce improvement whilst contributing to the delivery of sustainable financial savings.
- Continuous improvement in Staff Governance Committee governance and reporting processes.
- Revision of the PHWC Terms of Reference to reflect changes in membership and oversight of delegated services where the committee is responsible for performance i.e. Mental Health and Primary Care.
- Mid-year progress reporting on the Clinical Governance Strategic Framework Delivery Plan.
- Imminent refresh of the Clinical Governance Strategic Framework.
- Introduction of a refreshed approach for the Organisational Learning Leadership Group.
- Enhancement of the Integrated Performance and Quality Report (IPQR) to further improve presentation and to include additional Public Health measures.



- Initial assessment of the Scottish Government Budget Announcement for 2025/26, with the first draft of the Financial Plan for 2025/26 to be presented to EDG in January 2025.
- IJB Lessons Learnt report for 2023/24 was presented to the NHS Fife Board (Private Session) in November 2024.
- IJB Financial Recovery Plan for 2024/25 was presented to the NHS Fife Board (Private Session) in November 2024.




## ACTION


33. The action plan [has been agreed with management] to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

## ACKNOWLEDGEMENT

34. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

**Jocelyn Lyall, BAcc CPFA**  
**Chief Internal Auditor**


TABLE 1		
Annual Report 2023/24 (B06/25) - Update of Progress Against Actions		
Agreed Management Actions with Dates	Progress with agreed Management Actions	Assurance Against Progress
<b>1. Clinical Governance Oversight Group's (CGOG) Annual Statement of Assurance</b>		
<p>The CGOG Annual Assurance Statement for 2024/25 to include reference to the assurance it receives on inspections by external bodies such as Healthcare Improvement Scotland and the Mental Welfare Commission and on action being taken to address recommendations made in these reports.</p> <p><b>Action Owner: Medical Director</b></p> <p><b>Original target implementation date 31 March 2025.</b></p>	<p>As this action relates to an annual statement of assurance it will be actioned at year-end.</p>	 <p>On Track</p>
<b>2. Digital and Information Framework Development and Approval Timescales</b>		
<p>The update report to on the D&amp;I Strategy scheduled to be presented to Clinical Governance Committee (CGC) in July 2024 to include clear scheduling of the revision process including presentation to D&amp;I Board, CGC and ultimately to Fife NHS Board for approval.</p> <p><b>Action Owner: Director Digital &amp; Information</b></p> <p><b>Original target implementation date 31 July 2024.</b></p>	<p>CGC was updated regarding the change to a shorter-term D&amp;I Framework and the reasons for this at their meeting on 6 September 2024 and was further updated regarding the timeline for its development and approval at its meeting on 1 November 2024.</p>	 <p>Completed</p>
<b>3. Digital &amp; Information (D&amp;I) Policies Status Assurance Reporting</b>		
<p>Update to D&amp;I Board regarding status of D&amp;I Policies not included in the IG&amp;S A&amp;A Framework report presented to IG&amp;SSG.</p> <p><b>Action Owner: Director Digital &amp; Information</b></p> <p><b>Original target implementation date 30 September 2024.</b></p>	<p>The status of the 23 D&amp;I Policies is now included in the D&amp;I Performance paper presented to each D&amp;I Board meeting.</p>	 <p>Completed</p>
ICE Report 2023/24 (B08/24) - Update of Progress Against Actions		
Agreed Management Actions with Dates	Progress with agreed Management Actions	Assurance Against Progress
<b>3. Scottish Government (SG) Annual Monitoring Return</b>		
<p>Update to Staff Governance Committee (SGC) on the SG Annual Monitoring Return including an update on action taken to address Scottish Government feedback from previous years.</p> <p><b>Action Owner: Director of Workforce</b></p> <p><b>Original target implementation date 31 March 2024.</b></p>	<p>See Staff Governance section of this report for detail.</p>	<p>No Longer Relevant</p>


4. Assurance Reporting to IG&SSG		
<p>a. All sections of IGS Accountability and Assurance Framework Report (IGSA&amp;AR) to include performance measures and risk summary information.</p> <p>b. Monitoring of timing of distribution of IG&amp;SSG and D&amp;I Board Papers to comply with 5 days ahead of meeting date stipulation included in their Terms of Reference.</p> <p><b>Action Owner: Associate Director of Digital and Information</b></p> <p><b>Original target implementation date 30 April 2024.</b></p>	<p>a. The paper presented to IG&amp;SSG on 22 October 2024 provided an update on the establishment of KPIs, the reason for the absence of KPIs for some categories (no mechanism for consistent reporting) and that the availability of data in support of KPIs is under constant review. (Complete)</p> <p>b. Monitoring of the timing of issue of papers to of IG&amp;SSG and D&amp;I Board members was not undertaken in 2023/23. A revised target implementation date of 30 April 2025 has been agreed to allow this to be monitored in 2024/25 and reported on in the IG&amp;SSG and D&amp;I Board Annual Assurance Statements for 2024/25.</p>	 <p>Minor slippage on agreed timelines</p>

**Annual Report 2022/23 (B06/24) - Update of Progress Against Actions**

Agreed Management Actions with Dates	Progress with agreed Management Actions	Assurance Against Progress
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**1. Development of Risk Management**

<p>a. Greater use of risk appetite including greater detail in risk reports presented to standing committees on how the risk appetite will affect strategy, decision-making prioritisation, budget setting and organisational focus.</p> <p>b. Deep Dive Reports to include:</p> <ul style="list-style-type: none"> <li>• Further assessment as to which key management actions will impact on the target score with success criteria stated.</li> <li>• A focus on key controls only, providing overt assurance and an overt conclusion on the effectiveness of implemented controls.</li> <li>• An assessment of the proportionality of proposed actions and whether they should be sufficient to achieve the target score.</li> </ul> <p>c. Revised Risk Management KPIs presented to the Audit and Risk Committee (ARC) that take account of previous internal audit recommendations and allow ARC members to assess the overall effectiveness of the system of Risk Management.</p> <p>d. Revised Risk Management Framework approved by the ARC providing a detailed description of joint Risk Management arrangements with the IJB including responsibility for operational risks, responsibility for sharing of information and responsibility for</p>	<p>a. Corporate Risks papers presented to each standing committee state if risks are within or outwith risk appetite.</p> <p>Revised risk Appetite Statement approved at the November 2024 Board meeting.</p> <p>Risk reports to standing committees do not yet include greater detail on how the risk appetite will affect strategy, decision making prioritisation, budget setting and organisational focus and the minutes of their meetings do not record discussion on these topics referring to risk appetite.</p> <p>Target implementation date further extended to 31 March 2025.</p> <p>b. The target implementation date was extended to 30 September 2024 but no deep dives on corporate risks addressing the issues raised have been presented to standing committees in 2024/25 to date. The target implementation date has been further extended to 31 March 2025.</p> <p>c. Revised KPIs which allow the Audit &amp; Risk Committee (A&amp;RC) to oversee</p>	 <p>Significant Slippage</p>
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<p>provision of assurance consistent with the IJB Risk Management Strategy.</p> <p><b>Action Owner: Director of Finance &amp; Strategy</b></p> <p><b>Original target implementation date 31 March 2024.</b></p>	<p>performance management of the risk management framework were presented to A&amp;RC on 16 May 2024 and A&amp;RC were advised that these will continue to evolve (Complete).</p> <p>The revised NHS Fife Risk Management Framework, including a description of RM arrangements with the IJB that satisfies our recommendation, was approved by Fife NHS Board on 26 September 2023 (Complete). This has been reviewed and an updated version will go to the NHS Fife Board for approval in January 2025 following Audit &amp; Risk Committee scrutiny in December 2024.</p>	
<p><b>6. Digital &amp; Information Strategy</b></p>		
<p>a. Clinical Governance Committee (CGC) to be updated regarding the impact on strategic ambitions &amp; new D&amp;I Strategy of elements from previous strategy not yet delivered.</p> <p>b. The new D&amp;I Strategy to include a resource &amp; financial assessment supporting the likelihood of the revised D&amp;I Strategy being delivered within the stated timescale.</p> <p><b>Action Owner: Associate Director of Digital &amp; Information</b></p> <p><b>Original target implementation date 31 July 2024.</b></p>	<p>a. The D&amp;I Strategy update to CGC on 3 November 2023 included analysis of the delivery of items from the 2020-24 D&amp;I Strategy and clearly shows items partially or not delivered. The update also identifies themes to be taken forward to the next iteration of the strategy (Complete).</p> <p>b. The timescales for the development of the D&amp;I Framework, and supporting financial plan, were outlined in a briefing paper to CGC on 1 November 2024. Target implementation date extended to 31 January 2025.</p>	 <p>Minor slippage on agreed timelines</p>

## CORPORATE GOVERNANCE

### Corporate Risks:

#### **Risk 1 – Population Health and Wellbeing Strategy – Moderate (12); Target (12) Moderate by March 2025 - Below Risk Appetite (aligned to Public Health and Wellbeing Committee)**

There is a risk that the ambitions and delivery of the new organisational Strategy do not deliver the most effective health and wellbeing and clinical services for the population of Fife.

#### **Risk 4 - Policy Obligations in Relation to Environmental Management and Climate Change Moderate (12); Target Moderate (10) by 1 April 2025**

There is a risk that if we do not put in place robust management arrangements and the necessary resources, we will not meet the requirements of the 'Policy for NHS Scotland on the Global Climate Emergency and Sustainable Development, Nov 2021.'

### Leadership and Culture

The Audit Scotland NHS in Scotland 2024 report emphasised that effective leadership and collaboration are essential to enable the more radical decisions required around service reform, and the need for a clear vision and strategic direction for reform from senior leaders. Some changes to the executive team in 2024/25 include the appointment of a new Director of Health and Social Care (Integration Joint Board Chief Officer) from November 2024. The current Director of Finance & Strategy announced her intention to retire at the end of this financial year and recruitment is underway to fill this post. The Chief Executive has amended the existing Director of Finance & Strategy role, to de-couple any broader non-financial aspects, to ensure a relentless focus on financial governance, leadership and stewardship at Board level i.e. the core functions of the Board's most senior financial expert and professional adviser. In addition and with the evolution of RTP, and the necessity for enhanced planning across NHS Fife the Chief Executive has established a substantive role of Director of Planning & Transformation, as an evolution of the current interim Director of Reform & Transformation role and reflecting experiences of our RTP approach during 2024. Appointments to both these roles should be known by the end of this calendar year.

While these appointments should further strengthen the senior leadership capacity, the accompanying changes in responsibilities will require to be carefully managed during the transition period. The existing momentum must continue to deliver healthcare services effectively and efficiently through RTP and to navigate the financial challenge, while maintaining focus on quality of care and the pace of delivery against strategic and RTP priorities.

### Reform, Transform and Perform (RTP)

RTP is NHS Fife's strategic approach to improving services and supporting and facilitating the actions required to address the unprecedented financial challenge all of which are rooted in the ambitions laid out in the Population Health and Wellbeing Strategy. Regular organisation wide communications continue, including RTP and Me briefings, and three Board Development sessions have taken place this year.

The October 2024 Annual Review letter stated that '*It was ... pleasing to note the progress the Board is making via its Re-form, Transform and Perform programme*'. The letter also noted '*Clearly, the scale of the challenge faced in effectively planning and delivering healthcare services to meet ever-increasing need is very significant.*'

RTP progress reports have been presented to every Board and Standing Committee meeting in 2024/25, either in open or private session. Reporting has matured over the course of the year with reports becoming more standardised. However, greater clarity in reporting is recommended and

suggested developments are at action point 1. The RTP agenda is extremely challenging, and reporting must be transparent, overt, and realistic in terms of the achievability of savings.

The November 2024 Board update on the 13 RTP schemes stated that *'five deliverables have significant assurance, five have moderate assurance, and three have limited assurance'*. Savings delivered to end of September totalled £8.103m (84%) of the planned September total of £9.650m; 32% of the original saving target of £25.000m; and 35% of the re-forecasted 2024/25 saving total of £23.261m.

Our assessment of the reported position six months into 2024/25 is that there is some optimism bias around the level of anticipated savings that will be delivered by the end of 2024/25, and the assurance level assessment for some RTP schemes i.e. Business Transformation, Supplementary Staffing, Service Level Agreements and Balance Sheet. The updates on these schemes do not fully reflect the magnitude of the undelivered savings and the organisational efforts to deliver them. Whilst progress can be evidenced, significant work remains to deliver RTP. As RTP continues to mature and the year 1 outcomes are evidenced, Management should ensure that 2025/26 plans are predicated on realistic and validated data, with lessons learned from year 1 identified and applied.

Of particular concern is the under achievement within Scheme *'10 - Business Transformation'*, where £77,000 (3.2%) has been delivered against the original target of £2.400m (target now revised to £1.402m). Recognising the current level of performance and the more realistic revised savings target, a paper presented to the November 2024 Board (private session) reported progress and quantified bridging actions agreed with RTP Executive Group. Limited Assurance on financial targets and Moderate Assurance on progress was provided.

Scheme 14 – Balance Sheet has a forecast saving of £1.500m but no target saving or quantified saving to date. No assurance level or risk assessment is provided for this scheme. We have received assurances that this will be reported in the next RTP update.

Given the complexity and scale of the RTP landscape, there is a risk that if *'target savings'* are set at levels beyond what is deliverable / achievable it could undermine the success of initiatives from the outset, as key officers and staff perceive they are being asked to deliver against an unachievable target.

The Internal Audit plan for 2024/25 includes a review of RTP governance arrangements and framework, including workstreams, grip and control in B15/25 Operational Planning. In addition, RTP workstreams will form part of the planned audits in 2024/25.

### Strategy Development and Implementation

At their 11 November 2024 meeting the PHWC considered the Population Health and Wellbeing Strategy 2024-25 Midyear Report (April – September 2024). The Midyear report included two case studies of work underway in Fife, an overview of RTP and a summary of the work undertaken and provided *'Significant'* assurance.

When the report was presented to Board on 26 November 2024 the level of assurance provided was Moderate and an additional appendix *'Assessing our impact'* was included, setting out the key metrics to measure the health and wellbeing of the population. An update on these metrics will be provided in the PHWS annual report in Spring 2025 but the position at midyear was not provided as the information is nationally produced on an annual basis. This means that the Board did not have the opportunity to assess the impact of the overall Strategy on the health and wellbeing of the population of Fife. It is important to recognise however that improving the health and wellbeing of the population will take more than one year and sustained improvements will only be possible over a much longer timeframe.

One *'Merits Attention'* recommendation from internal audit report B14/23 Strategic Plan Development remains outstanding and has been extended. We recommended that the risk for the



PHWS and Health Inequalities corporate risks should be reviewed together to ensure consistency and revised if appropriate. We would reiterate this recommendation which remains relevant.

The July 2024 Board considered the Director General for Health & Social Care, 5 June 2024 letter on 'Reforming Services and the way we work'. The minute noted that *'The Chair highlighted the need for NHS Fife to have planning at the front and centre of all discussions and decisions. She highlighted the importance of being able to model what will happen to local population demographics, its potential impact on future performance, and the need to consider what services may or may not be able to be provided going forward. The need to be pro-active was emphasised.'* The minute also noted need for further discussion around planning and agreed that this be a standing item on the Board agenda. The September 2024 Board Action List stated this action had been noted on the Board's workplan and would be added as a standard agenda item from November 2024. The November 2024 Action List update noted that there was nothing to add to the agenda for November and the Board is awaiting receipt of guidance, a Directors Letter (DL) from the SGHSCD. We will continue to monitor progress in this area.

### Operational Planning

The Board continues to receive quarterly updates on the Annual Delivery Plan 2024/25, which flows from and links to the four strategic priorities identified in the PHWS.

The Quarter 2 update on the Annual Delivery Plan 2024/25 was considered by the Board in November 2024, the covering paper offering a useful summary of the 205 'deliverables' within the Plan. The update showed that 3% of deliverables were complete, 68% of deliverables were on track, 24% of deliverables were 'at risk', 4% were unlikely to complete on time' and one had been superseded / cancelled. There has been a slight deterioration in the position between Quarter 1 and Quarter 2.

Of the nine deliverables that are unlikely to complete on time, six are aligned to the 'Deliver Value and Sustainability' strategic priority, reflecting the challenges in business transformation and redesign.

### Governance Arrangements

A number of Board and Committee papers have been considered in private session during the year to date. Whilst there may be justifiable reasons for this, we recommend that the nature of items considered in private is reviewed to ensure appropriateness and that the reason for considering an item in private is clearly stated in the SBAR, with the full agenda noting which items will be considered in 'private'.

Several key reports of the same nature e.g. Annual Delivery Plan, Corporate Objectives, are presented to Board and to Standing Committees and we encourage review to ensure there is no duplication in reporting. Report authors should provide clarity on the purpose of the paper presented to each committee, tailored to their remit.

In May 2024 the Board agreed levels of assurance to be included in reports to Board and Committees. This aids members in assessing the Level of Assurance that can be taken and support the focus of their scrutiny on key aspects. Board minutes do not always record the level of assurance agreed, but instead note *'The Board took assurance from the ...'*. We recommend that the level of assurance agreed by the Board or Committee is noted on all occasions.

### Blueprint for Good Governance

In September 2024 the Board considered a Blueprint for Good Governance Improvement Plan update and took moderate assurance on progress. Five of eight actions were closed and the remaining actions related to agreement of risk appetite, improving the diversity of the Board, and introducing locally assurance mapping work. The November 2024 Board meeting subsequently approved a revised Board Risk Appetite Statement. The assurance mapping recommendation remains open pending the outcome of the Once for Scotland approach being developed by the national Board Secretaries

network. Improving diversity will be progressed on completion of Public Appointments recruitment process.

In the spring of 2025, Audit Scotland will be publishing a NHS spotlight publication focusing on governance, to assess how well leadership, scrutiny and governance are operating to support financial management, service performance and longer-term reforms. The report findings should support the Board with its ongoing government assessment processes.

### **Mental Health Services**

The September 2024 Board (private session) was advised that Fife Child and Adolescent Mental Health Service (CAMHS) and Fife Psychology Therapy (PT) would be moving to stage 2 - Enhanced Support, of the Support and Intervention Framework in relation to the National Referral to Treatment Target (90% of patients seen within 18 weeks of referral).

The Board minute noted that Enhanced Support reinforced the need for the health and care system to work together in partnership, and that while CAMHS and PT are fully delegated to the IJB for strategic planning and delivered through the HSCP, the Fife NHS Board has been escalated on performance grounds. The Board agreed that a fuller plan will be prepared for CAMHS and PT, to include modelling and a new way of delivering services and to provide assurance on progress. The intention is to bring a workplan to the January 2025 Board private session.

The October 2024 Annual Review letter stated that *'local mental health services continue to experience high levels of demand and increased levels of acuity, combined with challenges in recruiting across all key professional groups including nursing, psychiatry, AHPs and psychology.'* The letter also commented on the extremely challenging national capital funding position and its impact on mental health services, and that the Board is carefully considering how to best invest and improve its mental health estate, with plans to invest £3 million over the next 3 years. The letter also notes the Scottish Government *'recognise that whilst this will not fully deliver all the benefits a new centralised facility could offer, it will bring essential improvements within the current financial circumstances.'*

The November 2024 Board IQPR report highlighted that Quality & Care mental health measures have deteriorated compared to the September 2024 Board position. Taking the current, medium, and longer-term pressures affecting the delivery of mental health services, we recommend that a mental health risk is considered for inclusion in the corporate risk register.

### **Integration**

The current significant financial and service challenge across health and social care will require NHS Fife, Fife Council, the IJB and wider partnership to work together effectively. Collaborative governance is a key feature of the Blueprint for Good Governance and requires a clear understanding of responsibilities, trust, and willingness from all parties to work together, with the right culture in place to support all partners. When health and social care systems come under pressure, there is a risk that collaborative governance is not achieved.

Partners need to work together to ensure that they deliver on the integration agenda in line with the Integration Scheme, and that they fulfil their roles accordingly in the true spirit of integration. This includes ensuring there is cohesion across the health and care system to help inform and shape transformation plans.

The challenges and pressures evident in the whole system are regularly considered by NHS Fife Board. Reflecting on this, the Chief Executive proposed at the September 2024 Board meeting that consideration would be given to the ways of working between the different organisations and how this is brought together as a collective. While this has not been reported to Board and is not included on the Board action list a Board development session planned for 17 December 2024 will cover the requirement for an integrated transformation plan. This requirement has already been agreed by the



NHS Fife Chief Executive, Fife Council Chief Executive and Fife IJB Chief Officer (Director of Health and Social Care).

We recommend that the Chief Executive's review considers the overall integration risk environment to determine whether there are sufficient and effective controls in place to support the delivery of integration objectives. The outcome of this assessment should be evaluated to determine if further governance oversight is required.

### Performance

The Board and Standing Committees receive regular IRPQ reports and other performance reports covering a range of key national and local measures.

In common with all NHSScotland, performance against national targets continues to prove challenging. At November 2024, particular areas of challenge were: Treatment Time Guarantee; Delayed Discharge for Mental Health/Learning Disabilities; New Outpatient Appointments; Cancer waits for the 31 Day Referral to Treatment (RTT) and 62 Day RTT.

The PHWS midyear report to the November 2024 Board stated that the Integrated Unscheduled Care and Planned Care programmes remain on track for 2024/25 deliverables.

Efforts should continue around the setting and reporting of realistic but challenging and achievable trajectories within available resources, in the context of statutory requirements and national targets and the PHWS, to allow members to conclude on overall Board performance with the right analysis to enable conclusions and informed decision making, including being able to consider preventative and or corrective actions.

Whilst there is a broad range of information provided in the Board IPQR, the report does not provide an overarching conclusion on whether performance is improving or deteriorating. Reporting would benefit from the inclusion of proportionate brief narrative on the Health Board's overarching performance.

The way in which benchmarking information is used to improve performance by learning lessons from Boards with similarities to Fife in terms of size and delivery model should be reported.

### Complaints – quality and care

The Board IPQR reporting at September 2024 and November 2024 shows a general performance trend against the two complaints targets to be significantly and consistently below the expected target.

	Sept Board - previous	Sept Board - current	Nov Board - previous	Nov Board - current
Stage 1 Complaints Closed in month on time (target 80%)	68.9%	59.5%	50.0%	48.7%
Stage 2 Complaints Closed in month on time (target 60%)	21.4%	20.5%	16.7%	25.9%

The challenging position was referenced in the October 2024 Annual Review Ministerial letter which noted *'the need to ensure that communications with patients take place in a way which is appropriate to their needs; the importance of embracing new technologies and ways of working to ensure the NHS is sustainable; alongside the need for an effective, accessible and responsive NHS complaints procedure'*. Given a key focus of responding to complaints is to implement identified learning needs, consideration of how NHS Fife can better support improved performance against this quality and care metric may be required.

### Risk Management

The Annual Risk Management Report 2023/24 referenced several planned developments including review and update of the risk appetite statement and review of the Board Strategic Risk Profile. A delivery plan to support the Risk Management Framework has been developed and will be reported to the Audit & Risk Committee.

Following discussion at Board Development sessions, the November Board 2024 subsequently approved a revised Board Risk Appetite Statement. Planned risk management developments for 2024/25 also included implementation of risk management key performance indicators, continued enhancement of the content and presentation of risk reports and further development of a risk management training programme.

Whilst we can evidence elements of good practice, we note that:

- It can take a significant number of months to develop and reframe risks, for example the proposed risk on drug-related deaths, the new Pandemic risk and the reframing of Risk 5 – Optimal Clinical Outcomes. We note also typically timeframes are not agreed.
- For some corporate risks the current score may not fully reflect the wider environment, with unrealistic target scores and timeframes. We have recommended that related corporate risks are reviewed together.
- At the September 2024 Board Risk 6 – Whole system capacity – Score 20 - High was discussed. The Director of Acute Services advised that this risk is to be discussed at EDG, where consideration will be given as to whether it remains a risk or has materialised into an issue, noting the Board will be advised on the outcome. There is no evidence of an update to the November 2024 Board per the Action List or any other paper.

### Environmental Management

NHS Fife continues to make progress towards Scottish Government targets and the objectives set out in the National Sustainability Strategy. In January 2024, the NHS Fife 2022/23 Climate Emergency & Sustainability Board Report was published and highlighted sustainability progress and ambitions for the next year.

A Sustainability and Greenspace Progress Report presented to the November 2024 Board and Public Health and Wellbeing Committee included a follow-up to the January 2024 report. The report also outlined achievements relating to the NHS Fife 2030 Greenspace Strategy.

Challenges were highlighted in the report around full implementation of the Environmental Management System (EMS) and funding for decarbonisation and greenspace development in future capital planning.

Internal Audit B17/25 Environmental Management will be reported to the March 2025 Audit and Risk Committee.

### Policies

The last General Policies and Procedures update was provided to the 7 May 2024 meeting of the FPRC when 18% of policies were out of date. To accommodate the work associated with RTP it has been agreed an annual report will be produced, instead of twice yearly reporting, with the next report due in March 2025.

### Corporate Objectives

Corporate objectives for 2024/25 aligned to the PHWS and RTP were considered by Standing Committees in advance of being approved by the Board on 30 July 2024.

**Anchor Programme**

An Anchor Institution Progress update was provided to the PHWC in November 2024, focussing on the development of the Anchor programme of work, progression from baseline activities and future ambitions.

**Public Participation and Community Engagement Strategy 2024-28**

The Public Participation and Community Engagement Strategy 2024-28 was discussed at the Board Development Session on 30 April 2024 and presented to PHWC on 13 May 2024, where the ambitions of the Strategy were approved in principle. The Board requested that the Strategy be brought back to a future meeting once it has been updated to reflect their feedback to include an operational plan on how the principles will be used in a programme of consultation and engagement, particularly related to RTP workstreams. An overview of the Community Engagement and Public Participation Operating Model for 2024-2026 was presented to the July 2024 Board in private session. Members commented on the improved document and endorsed the creation of a portfolio of strategic transformation.

**Action Point Reference 1 – Reform, Transform and Perform (RTP)**

**Finding:**

Our assessment of the reported position six months in to 2024/25 is that there is some optimism bias around the level of anticipated savings that will be delivered by the end of 2024/25, and the assurance level assessment for some RTP schemes i.e. Business Transformation, Supplementary Staffing, Service Level Agreements and Balance Sheet. The updates on these schemes do not fully reflect the magnitude of the undelivered savings and the organisational effort required to deliver them.

There is a risk that if ‘target savings’ are set at levels beyond what is deliverable / achievable it could undermine the success of initiatives from the outset, as key officers and staff perceive they are being asked to deliver against an unachievable target.

Reporting has matured over the course of the year with reports becoming more standardised. However, greater clarity in reporting is recommended.

**Audit Recommendation:**

As RTP continues to mature and the year 1 outcomes are evidenced, management should ensure that 2025/26 plans are predicated on realistic and validated data, with lessons learned from year 1 identified and applied to support NHS Fife to make the right decisions at the right time, based on appropriate data.

Savings trajectories should be used to highlight and provide early warning of barriers to achievement including reporting the balance between recurring and non-recurring savings and plans, as recommended in the financial governance section of this report.

The RTP reporting format should be reviewed, to ensure proportionate / brief narrative is included for all aspects of the programme. Reporting must be transparent, overt and realistic in terms of the achievability of savings, reflecting the extremely challenging environment and clearly identifying any barriers to achievement. Where targets are not going to be achieved this should be reported as early as possible, and the workstreams should be reviewed to confirm their continued relevance for carry forward to 2025/26.

**Assessment of Risk:**

Significant



Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores.

**Requires action to avoid exposure to significant risks to achieving the objectives for area under review.**

**Management Response/Action:**

**Action by:**

**Date of expected completion:**

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**Action Point Reference 2 – Board and Standing Committee Reporting**

**Finding:**

The following governance findings are noted:

- a. A sizeable proportion of Board and Committee papers have been considered in private session during the year to date. Whilst there may be justifiable reasons for doing so, if the correct balance between open and private session is not achieved, there is a risk the Board does not make decisions in an open and transparent manner. The open agenda does not detail items to be considered in private session.
- b. Several similar or near identical key reports are presented to Board and Standing Committees. This creates a risk of duplication, with the potential to adversely affect the pace of decision making.
- c. Board minutes do not always record the level of assurance agreed following consideration of discrete agenda items. This could reduce the Boards ability to track areas of concern and focus.
- d. The Action List does not always capture all areas identified by the Board during meetings.

**Audit Recommendation:**

- a. The nature of items considered in private session should be reviewed to ensure appropriateness and the reason for considering an item in private should be clearly stated in reports, with the open business agenda noting which items require to be considered in private session.
- b. We encourage a review of reporting where similarities are evident to ensure there is no duplication in reporting and where appropriate report authors should provide clarity on the purpose of the paper presented to each committee, tailored to their remit.
- c. The level of assurance agreed by the Board or Committee should be noted on all occasions.
- d. The Action List process should be reviewed to ensure all identified areas are captured in subsequent lists.

**Assessment of Risk:**

Moderate



Weaknesses in design or implementation of controls which contribute to risk mitigation.


**Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.**

**Management Response/Action:**

**Action by:**

**Date of expected completion:**

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Action Point Reference 3 – Mental Health Services	
<b>Finding:</b>	
There are significant pressures around the delivery of mental health services in the current, medium, and longer term which need to be adequately and appropriately captured, mitigated, and monitored.	
<b>Audit Recommendation:</b>	
Establishment of a mental health risk should be considered. The risk should capture the challenges in the overall mental health risk environment and the current and planned controls to support the delivery and development of mental health service objectives on a whole system basis. The requirement for enhanced governance oversight should form part of this analysis.	
<b>Assessment of Risk:</b>	
Significant	 <p>Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores.</p> <p><b>Requires action to avoid exposure to significant risks to achieving the objectives for area under review.</b></p>
<b>Management Response/Action:</b>	
<b>Action by:</b>	<b>Date of expected completion:</b>

**Action Point Reference 4 – Performance Reporting**

**Finding:**

The following performance reporting findings were noted:

- a. The Population Health and Wellbeing Strategy 2024-25 Midyear Report stated that an update on metrics will be provided in the annual report in Spring 2025, but the position at midyear was not reported.
- b. IPQR performance reporting does not include planned trajectories for all measures.
- c. The Board IPQR does not provide an overarching conclusion on whether performance is improving or deteriorating.
- d. The current presentation of IPQR benchmarking information does not identify comparison Health Boards.

**Audit Recommendation:**

- a. To enable the Board to assess the impact of the overall PHWS on the health and wellbeing of the population of Fife, performance metrics should be regularly reported.
- b. Consideration should be given to refining Board performance reports to include planned trajectories. This would enable measurement against realistic, challenging, achievable trajectories within available resources in the context of statutory requirements and national targets, within the context of Strategic Framework, to ensure Members are able to conclude on the overall Board performance to enable conclusions and informed decision making, including being able to consider preventative and or corrective actions.
- c. Proportionate / brief narrative on the Health Board’s overarching performance should be incorporated into the Board IPQR SBAR.
- d. The way in which IPQR benchmarking information is presented could be enhanced by identifying the comparison Boards. This would allow more meaningful comparisons to Boards with similarities to Fife in terms of size and delivery model. How lessons learned from these comparable Boards is used to improve performance should be reported in the IPQR.

**Assessment of Risk:**

Moderate



Weaknesses in design or implementation of controls which contribute to risk mitigation.

**Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.**

**Management Response/Action:**

Action by:	Date of expected completion:

### Action Point Reference 5 – Risk Management

#### Finding:

Acknowledging that corporate risks are due to be reviewed, from our review of the current corporate risk register we noted that:


- a. It can take a significant number of months to develop and reframe risks, for example the proposed risk on drug-related deaths, the new Pandemic risk, and the reframing of Risk 5 - Optimal Clinical Outcomes. We note that typically timeframes are not agreed to support risk development work.
- b. For the corporate risks detailed below the current score may not fully reflect the wider environment and elements out with the control of NHS Fife, resulting in unrealistic target scores and timeframes. Alignment of risk scores has also been considered.
  - Risk 1 - Population Health and Wellbeing Strategy – Score 12, Moderate. Given the pressure in the health and social care system, that the 3-year MTFP was not approved by the Scottish Government and the maturity level of RTP, which is in year 1, the risk score may be too low and may not fully reflect the organisation’s ability to deliver strategy in the current environment. The risk score also does not fully align with Risk 2 - Health Inequalities, which is scored at 20, High.
  - Risk 4 - Policy obligations in relation to environmental management and climate change is scored as 12, Moderate and does not fully reflect the restrictions in capital funding and revenue financial constraints that will impact on the organisation’s ability to meet the requirements of legislation. The risk score does not fully align with Risk 13 - Delivery of a balanced in-year financial position and Risk 14 - Delivery of recurring financial balance over the medium-term, which are both scored as 25, High.
  - Risk 15 - Prioritisation & Management of Capital funding – Score 12, Moderate does not align with the new Risk 20 - Reduced Capital Funding which is scored at 20, High. Given the significant constraints in capital funding, Risk 15’s score may not reflect the seriousness of the impact of constraints in capital funding, including the associated impact on revenue budget, nor the longer-term impacts this will have on the NHS estate, e.g. backlog maintenance, inability to progress service modernisation, such as Mental Health redesign.
- c. The September 2024 Board was advised that Corporate Risk 6 - Whole system capacity – Score 20, High was to be discussed at EDG, to determine whether it remains a risk or has materialised into an issue. It was agreed the Board would be advised on the outcome. There is no evidence of an update to the November Board per the Action List or any other paper, therefore there is a risk that the Board loses the opportunity to make informed decisions and take corrective action.

#### Audit Recommendation:

We recommend that:

- a. Timeframes are agreed to support risk development and review.
- b. When the overarching risk environment and risk scores are reviewed, taking account of the wider environment, these internal audit findings are considered.
- c. When the Board are advised that a corporate risk is being reframed or may be transitioning from a risk to an issue, a timeline should be agreed to ensure that the Board is provided with an appropriate and timeous update.



Assessment of Risk:	
Moderate	 <p>Weaknesses in design or implementation of controls which contribute to risk mitigation.</p> <p><b>Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.</b></p>
Management Response/Action:	
Action by:	Date of expected completion:

## CLINICAL GOVERNANCE

### Corporate Risks aligned to Clinical Governance Committee:

#### **Risk 5 - Optimal Clinical Outcomes. High Risk (15); Target (10) Moderate by 30 September 2024 – Within Risk Appetite (currently being reframed)**

There is a risk that recovering from the legacy impact of the ongoing pandemic, combined with the impact of the cost-of-living crisis on citizens, will increase the level of challenge in meeting the health and care needs of the population both in the immediate and medium-term.

#### **Risk 8 - Cancer Waiting Times — High Risk (15); Target (12) Moderate by 31 March 2025 – Above Risk Appetite – aligned to FPRC but also reported to CGC**

There is a risk that due to increasing patient referrals and complex cancer pathways, NHS Fife will see further deterioration of Cancer Waiting Times 62-day performance, and 31-day performance, resulting in poor patient experience, impact on clinical outcomes and failure to achieve the Cancer Waiting Times Standards.

#### **Risk 9 - Quality and Safety — Moderate Risk (12); Target (6) Low by 31 March 2025 – Within Risk Appetite**

There is a risk that if our governance, arrangements are ineffective, we may be unable to recognise a risk to the quality of services provided, thereby being unable to provide adequate assurance and possible impact to the quality of care delivered to the population of Fife.

### Corporate Risks aligned to Public Health and Wellbeing Committee:

#### **Risk 1 - Population Health and Wellbeing Strategy - Moderate Risk (12); Target Moderate (12) by 31 March 2025 – Below Risk Appetite**

There is a risk that the ambitions and delivery of the new organisational Strategy do not deliver the most effective health and wellbeing and clinical services for the population of Fife.

#### **Risk 2 – Health Inequalities – High Risk (20); Target High (15) by 31 March 2025 – Within Appetite**

There is a risk that if NHS Fife does not develop and implement an effective strategic approach to contribute to reducing health inequalities and their causes, health and wellbeing outcomes will continue to be poorer, and lives cut short in the most deprived areas of Fife compared to the least deprived areas, representing huge disparities in health and wellbeing between Fife communities.

#### **Risk 10 – Primary Care Services - High Risk (16); Target Moderate (12) by 31 March 2025 – Above Appetite**

There is a risk that due to a combination of unmet need across health and social care as a result of the pandemic, increasing demand on services, workforce availability, funding challenges, adequate sufficient premises and overall resourcing of Primary Care services, it may not be possible to deliver sustainable quality services to the population of Fife for the short, medium and longer term.

#### **Risk 21 – Pandemic Risk- High Risk (20); Target Moderate (20) by tbc – Within Appetite**

There is a risk that a novel pandemic with widely disseminated transmission and significant morbidity and mortality may cause significant harm to those infected and cause widespread disruption to healthcare, supply chains, and social functioning.

**Clinical Governance Framework**

The Clinical Governance Strategic Framework Delivery Plan 2024/25 was presented to the 12 July 2024 meeting of the Clinical Governance Committee (CGC). The Committee took a “moderate” level of assurance from the paper. The delivery plan does not cover all aspects of the strategic framework but was instead devised to ensure it is achievable, with prioritised actions.

At the July 2024 CGC the Associate Director of Quality & Clinical Governance agreed to review the quality and improvement training aspects for the next iteration of the delivery plan.

A mid-year progress update on the Delivery Plan was presented to the CGC on 1 November 2024 and it was confirmed that work to refresh the Framework and Delivery Plan would commence shortly, having originally been planned for September 2024.

Seven of the 11 delivery plan workstreams have a due date of March 2025, one has a due date of December 2024 and one a due date of January 2025. The Safety and Just Culture Workstream had a June 2024 due date and the Medicines Safety Programme Workstream had an October 2024 due date. Where work remains ongoing, revised dates should be documented.

Internal Audit B17/25 Medicines Management will consider one review from the Medicines Assurance Audit Plan.

Action point 6 sets out enhancements to the delivery plan updates papers, to include a conclusion on the status of actions using a RAG status and a high-level summary of overall progress highlighting barriers to achievement, any impact on mitigation of corporate risks and the implication of non-achievement. Any workstreams not delivered in 2024/25 should be reviewed for inclusion in the 2025/26 delivery plan.

A Fife Health and Social Care Partnership Clinical & Care Governance Strategic Framework was scheduled to be presented to the IJB for approval by January 2024, but was delayed to the May 2024 IJB meeting. The completion date for this action was again extended to September 2024 to allow the content of the Framework to be reviewed by Internal Audit to confirm that it is consistent with recommendations from internal audit F06-22 Clinical and Care Governance. The NHS Fife Medical Director and the HSCP leadership team are still to resolve discussion on the content of the Framework. However, the NHS Fife Clinical Governance framework covers all aspects of clinical governance of delegated services.

**Clinical Governance Committee**

The CGC Terms of Reference are scheduled for review at the 7 March 2025 meeting, as set out in the CGC Annual workplan 2024/25. The 1 November 2024 CGC update on the workplan indicates that the Committee should receive all planned items for 2024/25.

The Clinical Governance Oversight Group (CGOG) reviewed their Terms of Reference at the 20 August 2024 meeting. Key changes covered membership, specifically Digital & Information representation. Amendments to the ‘Role & Remit’ increased focus on learning and the inclusion of acute services division and HSCP assurance reports. Areas for inclusion were delivering the aim of the Clinical Governance Strategic Framework and associated annual delivery plan and review of quality measures within the IPQR. The revised Terms of Reference were agreed at the 22 October 2024 meeting.

The business covered by the CGC and CGOG is extensive, particularly as the CGC has within its remit both clinical governance and eHealth / information governance. The remits and work plans of both committees would benefit from review in line with Committee Assurance principles to ensure there is no duplication of reporting and to ensure the committees are clear about their priorities and have focused agendas and workplans.

### Clinical Risk Management

Corporate risks aligned to the CGC and to the PHWC are detailed at the start of this section. Both the CGC and PHWC received regular reports on the risks aligned to them and the current and target scores are reasonable.

Following the CGC deep dive into the Optimal Clinical Outcomes risk at the 1 March 2024 CGC, there was further discussion through the Risks and Opportunities Group (ROG) and CGOG, with a recommendation made to EDG on 5 September 2024 to close the risk, and work continues on the rewrite.

In common with other Standing Committees, the CGC has not considered risk deep dive reports in 2024/25. The cycle of review for deep dives was completed before the start of the year and it is anticipated that all clinical risks will be reviewed and refreshed.

The July 2024 CGC minutes reflected discussion on how the clinical risk consequences of corporate risks aligned to the FPRC are considered by the CGC, for example Risk 7 - Access to Outpatient, Diagnostic and Treatment Services. Members supported those risks being presented to the CGC on a yearly basis, for assurance on the clinical aspects.

### Clinical Performance Reporting

The IPQR report cover paper presented to the 1 November 2024 CGC did not specifically highlight areas which had not reached target but did state that for all applicable metrics that utilise Statistical Process Control, the current position was within control limits.

15 metrics are reported via the IPQR relating to Quality and Care, of which seven (relating to Adverse Events/Significant Adverse Event Reviews, Hospital Standardised Mortality Rate (HSMR) & Mental Health Incidents) have no defined trajectory/target.

Performance for four metrics had deteriorated since the previous month and five metrics had deteriorated since the previous year. Detailed narrative explaining the data analysis and achievements and challenges was provided for Significant Adverse Event Reviews (SAERs), inpatient falls, pressure ulcers, mental health quality indicators, healthcare associated inspections, and complaints.

The governance of agreeing Quality and Care 'local targets' when there are national targets in place was discussed at the CGOG on 20 August 2024. The Medical Director and the Lead for Adverse Events presented a paper to the October 2024 CGOG documenting where local targets have come from and how and by whom they are approved. The report provided Moderate Assurance on the origin of the targets within the IPQR.

### External Review

External Inspection Reports are included on an Activity Tracker routinely considered by the CGOG.

### Learning

An Organisational Learning Update was presented to the 6 September 2024 CGC. The Organisational Learning Leadership Group oversees work to build on NHS Fife's capability as a learning organisation and has a delivery plan in place. The group will provide assurance to the CGOG and the EDG. While the focus of this work is on clinical governance organisational learning, the development of a framework may bring benefit to wider to non-clinical activities.

Recognising the complexity of achieving the remit of the group, guiding principles have been identified to progress a refreshed approach in 2024/25 including:

- Build on the organisational ability to triangulate learning to contribute to the understanding of the bigger picture – getting the full system overview and defining how this will be brought into practice.
- Development of an Organisational Learning Framework.

### Significant Adverse Events

Internal Audit previously reported that the quality of data used to assess performance in progressing adverse events reviews was being reviewed. Performance continues to require improvement. The Adverse Events Improvement Plan Update presented to the CGC on 1 November 2024 provided Moderate Assurance and covered areas of improvement for 2024/25 including reporting, reviewing, learning, and improving support and engagement of patient/families and staff with the process.

The Improvement Plan is extensive and several actions due for completion between December 2024 and February 2025 are reported as on track.

The Adverse Events Policy (GP/I9) is available on Stafflink and is due for review in February 2025.

The CGOG has agreed implementation of the refreshed Adverse Events trigger list, aligned to the Healthcare Improvement Scotland (HIS) Reporting and Learning from Adverse Events – A National Framework. The December 2024 CGOG will finalise and agree the process changes ahead of the implementation date of 6 January 2025.

The development of the Adverse Events Staff Support Pathway provides structure to staff following an adverse event. The August 2024 CGOG agreed that pathway documents along with a questionnaire would be circulated to senior leaders across the organisation to identify barriers and enablers for the progression of this work. As reported to the October 2024 CGOG, additional bespoke training sessions are in progress.

The Integrated Performance and Quality Report presented to CGC on 1 November 2024 reported that SAER median days to close (July 2024) was 255 working days against the target of 90 working days of commissioned date. The supporting narrative explained that the delay is multi-factorial with some of these factors being un-modifiable i.e. patient complexity, delay in postmortem result, and that NHS Fife is not an outlier in this respect. The adverse events improvement plan identifies a number of process changes to improvement on timely and quality completion of reviews.

Adverse event KPIs are reported to every second meeting of the CGOG with the last report presented in August 2024. Reporting consists of adverse events summary KPIs, incidents flashcard, themes and trends and updates on staff support pathway.

As at July 2024 performance was reported as:

KPI	Performance
SBAR decision made for major and extreme adverse events (100%)	52%
Adverse Events with severity reported as 'No Harm' should be closed within 10 working days of reported date	58%
Adverse Events with severity reported as 'Minor' or 'Moderate' should be closed within 60 working days of reported date	85%
Adverse Events with severity reported as 'Major' or 'Extreme' should be closed within 90 working days of commissioned date (ALL)	56%
Adverse Events with severity reported as 'Major' or 'Extreme' should be closed within 90 working days of commissioned date (LAERs and SAERs only)	15%
Actions resulting from LAER and SAER reviews should be completed by target date	47%

### Duty of Candour (DoC)

On 20 August 2024 the CGOG considered a proposed update to the DoC guidance to include the process for monitoring quality performance indicators and a streamlined approach to the identification of cases for review by the Medical Director, who determines if DoC is activated. An updated letter of apology and steps to ensure consistency of approach across NHS Fife were also proposed. The group was asked to reflect and feedback on the proposed changes with the finalised

process and procedural guidance anticipated to be presented back to group in October 2024 for endorsement, but this did not take place.

### Resilience

Actions to address recommendations from Internal Audit Report B13/23 on Business Continuity Arrangements are progressing and are reported through the Audit Follow Up system. Fife IJB report F06-24 Resilience and Business Continuity was issued in April 2024 and two of three required actions are now complete. The third recommendation is in progress and relates to presentation of the internal audit report to the Assurance Resilience Group, and confirmation of completeness of Business Continuity Plans for services delegated by Fife Council.

### Public Health and Wellbeing Committee (PHWC)

Internal Audit B16/25 – Population Health will review the governance arrangements for population health and wellbeing, including implementation of Strategy.

An update of the PHWC Terms of Reference was considered at the September 2024 meeting and approved at the November 2024 meeting of the Committee, with final approval at the November 2024 Board. The amended Terms of Reference reflect oversight of delegated services where the committee is responsible for performance i.e. Mental Health and Primary Care.

As discussed at the September 2024 meeting, a review of the PHWC workplan will be undertaken on a rolling basis as agendas for future meetings are set. We noted good practice in that the PHWC review of their workplan at each meeting clearly identified reports that were not required, additional reports for inclusion and issues for escalation.

At their 11 November 2024 meeting the PHWC considered the Population Health and Wellbeing Strategy (PHWS), 2024-25 Midyear Report (April – September 2024), which provided a ‘Significant’ level of assurance. When the report was presented to Board on 26 September 2024 the level of assurance provided was Moderate and additional appendix ‘Assessing our impact’ was included, setting out the key metrics to measure the health and wellbeing of the population. An update on these metrics will be provided in the PHWS annual report and we have recommended in year reporting of metrics in the corporate governance section of this report.

### Risk Management

The PHWS risk is scored as Moderate (12) with the same target score, and it is below risk appetite. While the risk is at the target level the mitigation provides context in that ‘the management of this specific risk will span a number of financial years’. Internal Audit are content that risk remains on the corporate risks register on the basis that risks to successful implementation of this long term strategy may vary over the longer term. We have commented on the risk score in the corporate governance section of this report.

Development of an Acute Services Clinical Framework is underway and this will align to the PHWS and will outline the clinical plans and ambitions for clinical services.

The Health Inequalities corporate risk is rated as High (20) with a target risk score of High (15) by 31 March 2025 and is within Appetite. Internal Audit considers this scoring appropriate and we note key mitigations, including the Prevention and Early Intervention Strategy ratified by the IJB. Public Health has supported development of the ‘Fair financial decision making’ checklist to ensure that financial decisions under RTP take into account impacts on protected characteristics and inequalities.



Corporate risk 21 – Pandemic risk is a new risk first reported to CGC in November 2024. The risk rating aligns with the UK National Risk Register 2023. The current and target risk rating are both 20, reflecting that the likelihood of a pandemic is not within local control and, although consequences may be mitigated through local preparation, consequences will remain extreme. An NHS Fife Pandemic Framework Group has been established to coordinate management of this risk, including consideration and implementation of measures to reduce the pressures and negative effects a pandemic would cause locally, and to act as a source of advice to the organisation and partners.

Work is underway to collate lessons from the COVID19 response and outputs of related inquiries and implement these locally. The September 2024 meeting of the PHWC took a Limited level of assurance from the addition of the pandemic risk onto the Corporate Risk Register.

Corporate risk 10 - Primary Care Services is scored as High (16) with a target of Moderate (12) by 31 March 2025 and is above risk Appetite. While this appears reasonable, we note that at September 2024, only 25 of 41 actions being managed through the Primary Care Governance & Strategy Oversight Group to mitigate the risk were complete, although the remainder were reported as on track.

The Cancer Waiting Times risk is aligned to the FPRC but is also reported to the CGC. There is an emerging risk on drug related risks, which is a whole system risk.

The Fife HSCP Prevention and Early Intervention Strategy was presented to and was supported by the September 2024 PHWC, to enable its continued progression to committees and IJB for decision. The Prevention and Early Intervention Strategy is a NHS Corporate Objective and is one of the nine transformational strategies of Fife Health and Social Care Partnership's Strategic Plan 2023-2026.

Public Health measures for screening and early years have been included in the IPQR, as reported to the September 2024 PHWC. The national Care and Wellbeing Dashboard is being developed to provide access to the latest data on population health outcomes, inequalities and the wider determinants of health and it will be launched alongside the national Population Health Framework in late 2024. Public Health indicators within the IPQR will be further expanded on publication of the national Population Health Framework.

During the year to date the PHWC has considered a variety of reports including:

- Anchor programme
- Update on Plan for Fife and Shared Ambitions
- Food4Fife Strategy and Action Plan 2024-2029
- Creating Hope for Fife: Fife's Suicide Prevention action plan
- Fife Child Protection annual report 2023/24
- Annual Immunisation Report and Immunisation Strategic Framework 2024-2027
- High Risk Pain Medicines – Patient Safety Programme
- Tackling poverty and preventing crisis action plan
- Alcohol and Drugs Partnership annual report
- Health Promoting Health Service annual report
- Primary Care Strategy Year 1 report
- Service updates
- Sustainability and Greenspace update
- Joint Health Protection Plan

**Action Point Reference 6 – Strategic Framework Delivery Plan**

**Finding:**

A mid-year progress update on the Strategic Framework Delivery Plan 2024/25 was presented to the CGC on 1 November 2024 and it was confirmed that work to refresh the Framework and Delivery Plan would commence shortly. Two of the 11 delivery plan workstreams had passed their due dates.

In discussion with Management, Internal Audit had previously suggested enhancements to the delivery plan that have not yet been implemented.

**Audit Recommendation:**

The refresh of the Delivery Plan should consider inclusion of:

- An SBAR that concludes on how many of the actions have been completed within target timescale, how many have not been implemented by their target timescale, whether actions are on track, barriers to achievement and if anticipated delivery timescales remain realistic. Any impact on mitigation of corporate risks and the implication of non-achievement should also be highlighted.
- A RAG status for actions.
- Inclusion of revised dates for workstreams that have exceeded their due dates.

Any workstreams not delivered in 2024/25 should be reviewed for inclusion in the 2025/26 delivery plan.

**Assessment of Risk:**

Moderate



Weaknesses in design or implementation of controls which contribute to risk mitigation.

**Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.**

**Management Response/Action:**

**Action by:**

**Date of expected completion:**



**Action Point Reference 7 – Review of Committee Workplans**

**Finding:**

The business covered by the CGC and CGOG is extensive and broad, particularly as the CGC has within its remit both clinical governance and eHealth / information governance.

To operate effectively and efficiently committees must be clear about their priorities and have focused agendas and workplans.

**Audit Recommendation:**

The remits and workplans of both committees would benefit from review in line with Committee Assurance principles. The following aspects should be considered:

- Duplication of reporting to other Committees.
- Focus on priorities and the risks delegated to the Committee.
- Inclusion of agenda items for the following reasons:
  - It is a decision delegated to that Committee.
  - It relates to and/or provides assurance upon strategic priorities and related corporate risks delegated to that Committee.
  - It is a statutory or regulatory requirement or required by Scottish Government guidance.
  - The Committee can add value to a decision or issue by providing a different perspective, setting boundaries, generating ideas etc.

**Assessment of Risk:**

Moderate



Weaknesses in design or implementation of controls which contribute to risk mitigation.

**Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.**

**Management Response/Action:**

**Action by:**

**Date of expected completion:**

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## STAFF GOVERNANCE

### Corporate Risks aligned to Staff Governance Committee:

#### **Risk 11 - Workforce Planning and Delivery – High Risk (16); Target (8) Moderate by March 2025 – Above Risk Appetite**

There is a risk that the current supply of a trained workforce is insufficient to meet the anticipated Whole System capacity challenges, or the aspirations set out within the Population Health & Wellbeing Strategy, which may impact on service delivery.

#### **Risk 12 - Staff Health and Wellbeing – High Risk (16); Target (8) Moderate by March 2025 – Above Risk Appetite**

There is a risk that if due to a limited workforce supply and system pressure, we are unable to maintain the health and wellbeing of our existing staff, we will fail to retain and develop a skilled and sustainable workforce to deliver services now and in the future.

#### **Risk 19 – Implementation of Health and Care (Staffing) (Scotland) Act 2019 [HCSA] – Moderate (9); Target (9) Moderate – Within Risk Appetite**

Taking account of ongoing preparatory work, there is a risk that the current supply and availability of trained workforce nationally, will influence the level of compliance with HCSA requirements. While the consequences of not meeting full compliance have not been specified, this could result in additional Board monitoring /measures.

### Governance Arrangements

Updates on the progress of the 2024/25 Staff Governance Committee (SGC) workplan are reported to each meeting.

While the September 2024 SGC was not quorate there was only one item on the agenda for decision and members agreed that the meeting would proceed, and that the item for decision would be tabled offline.

### Workforce Strategy/Planning

Internal Audit B17/23 Workforce Planning was issued on 8 May 2024 and provided Reasonable Assurance. Two actions will remain outstanding until ongoing work to develop the 2025-2028 Workforce Plan has been further progressed during December 2024 / January 2025. The Director of Workforce has provided Internal Audit with an update on this significant and important piece of work to determine the agreed staffing establishment, with a focus on data quality. This will enable NHS Fife to reshape the workforce over the three-year period of the new Workforce Plan and ensure the staffing establishment is appropriate to effectively deliver services. The RTP People and Change Board has been instrumental in managing this work which is scheduled to be completed during December 2024.

Fife IJB Internal Audit F05/23 Workforce Planning was issued in August 2024. Three of the four actions are now complete and the remaining action to complete a staff gap analysis is in progress and due for completion by the end of November 2024.

While the SGC workplan has a scheduled update on the Workforce Plan 2022-2025 at each meeting, the November 2024 update was deferred to January 2025 because the whole-time equivalent data was still to be agreed by the People and Change Board and reported to the RTP Executive meeting.

The September 2024 Workforce Planning Update provided assurance on the plans to develop and submit the 2025-2028 Workforce Plan to Scottish Government by 1 June 2025 and publish it by 31

October 2025 in line with currently awaited guidance. Management anticipate that neither the statutory requirement, nor the technical guidance support will significantly alter the current processes. Key dates and milestones to be achieved to meet this deadline have been identified and NHS Fife is aiming to complete the work ahead of schedule in January 2025. The new Workforce Plan is intended to align with the Delivery Plan and the financial plan for 2025/26.

### **Risk Management**

The SGC has oversight of the Workforce Planning & Delivery and Staff Health & Wellbeing corporate risks, both of which have a high rating. The planned date to reduce the risk score from high to moderate for both risks is the end of March 2025. As previously report in internal audit B17/23 Workforce Planning, the achievability of these dates may need to be reconsidered as the target date approaches. The Director of Workforce has informed Internal Audit that the Workforce Planning & Delivery risk will be reviewed in line with development of the new Workforce Plan 2025 – 2028, with a shift in focus to the risk of the workforce not being adequate and appropriate to deliver services.

The SGC has regular oversight of the Implementation of Health & Care (Staffing) (Scotland) Act 2019 [HSCA] risk, which has a moderate rating and has reached its target score. The option to de-escalate this corporate risk has been discussed with the Director of Workforce. Internal Audit agree with the proposal that the risk will be reviewed in March 2025. While progress has been positive to date, the new calendar year will represent 'Business as Usual' and a March 2025 review will provide sufficient time and the opportunity to take stock of the arrangements put in place. The Act requires quarterly compliance reporting to the Board by individuals with lead clinical professional responsibility and the Director of Workforce has the delegated lead responsibility for Board compliance reporting.

The Quarter 1 update to the September 2024 SGC offered Moderate Assurance and confirmed that the Board has submitted the first High Cost Agency Return to the Scottish Government, as required by NHS Circular DL (2024) 06. This will give an opportunity for NHS Fife to benchmark with other Health Boards.

### **Staff Governance Standards**

The Scottish Government has paused the requirement to complete a Staff Governance Monitoring return but Boards were required to complete an Assurance of Compliance return by 6 December 2024. The November 2024 SGC approved the draft Staff Governance Standard 2023/24 Assurance of Compliance, which provided a 'Significant' level of assurance. Feedback on the 2022/23 Staff Governance Monitoring Return was reported to the SGC on 14 May 2024 and the SGC was to be updated on progress to address the feedback at a future meeting. This did not take place and given that the 2023/24 Assurance of Compliance is now agreed, there would be little benefit in presenting this out-of-date information to the SGC. The Director of Workforce has provided Internal Audit with assurances that any future feedback will be reported to SGC in a timely manner.

A workforce policy update to the November 2024 SGC covered development and maintenance of local HR policies and Once for Scotland Workforce Policies. A soft launch of eight refreshed workforce policies is taking place between 15 October 2024 and 15 January 2025 to ensure the Board is ready for launch in early February 2025.

Our previous recommendation to consider a stand-alone report to SGC providing assurance that each strand of the Staff Governance Standard had received appropriate coverage throughout the year was considered. The SGC annual workplan does include planned reporting on each strand of the Staff Governance Standard and provides an at a glance conclusion on coverage, which is also confirmed in the 2023/24 Assurance of Compliance. In the interests of avoiding unnecessary reporting a standalone report will not be provided to the SGC.

**Staff Health and Wellbeing / Health and Safety**

The latest Health & Safety Sub-Committee Incident Report, covering the period June to August 2024, was reviewed by the SGC in November 2024. The report detailed the number of incidents during the period but does not have any comparative data except for a longer-term chart plotting the number of Violence & Aggression incidents, which is showing a rising trend. The SBAR states that Violence & Aggression training is being taken on across the Board following the move of a budget for a vacant post to the Health & Safety team.

The covering paper for the report would benefit from the inclusion of comparative performance information i.e. current and prior period(s).

A Staff Health and Wellbeing Update was considered by the September 2024 SGC, and the Occupational Health Service provided their Annual Report for 2023/24 to the November SGC.

**Staff Experience**

The Quarter 2 Annual Delivery Plan (ADP) 2024-25 update was presented to the November 2024 SGC meeting to enable monitoring of workforce aspects. There are 21 deliverables aligned to the 'Improve Staff Experience and Wellbeing' strategic priority. At the end of Quarter 2, 16 of these deliverables (72.6%) were 'on track' with five being 'at risk'.

The September 2024 SGC was informed that iMatters engagement for 2024 was 64%, a decrease of 2% on 2023 but, for the third year running, better than the national outcome of 58%.

**Whistleblowing**

Starting in April 2024 and in line with good practice from the Independent National Whistleblowing Officer, responsibility for governance and reporting of Whistleblowing began to transition from the Workforce Directorate to the Corporate Governance & Board Administration function. The first meeting of the quarterly Whistleblowing Oversight Group, chaired by the Chief Executive, took place in April 2024. Over time, the Whistleblowing Oversight Group will seek to illustrate trends and allow NHS Fife to evidence the necessary improvement and learning.

**People and Change Board**

The RTP People and Change Board aims to deliver a safe sustainable range of workforce changes and improvements whilst contributing towards the Boards obligation to deliver sustainable financial savings.

This includes projects to reduce spend in: Junior Doctor Rota compliance; Supplementary Staffing; Vacancy and sickness management; and Whole Time Equivalent Reduction. The group have oversight of implementation of the non-pay elements of the 2023/24 Agenda for Change pay deal; Reduction in Working week; Protected learning time; and Band 5 nursing review.

**Supplementary Staffing**

Annual supplementary staffing costs have totalled circa £50 million across NHS Fife for the last two financial years. To reduce the reliance on supplementary staffing across the system a savings target of £5 million in the Board's Financial Plan for health board retained services, and a £3 million savings target was approved in the 2024/25 Financial Plan for the HSCP. Implementing the Scottish Government Supplementary Staffing Task and Finish Group's recommendations has resulted in supplementary staffing costs across retained services reducing from an average monthly cost of circa £2 million, to just over £1 million. Extremely challenging workforce issues in the HSCP have impacted on ability to reduce monthly spend at the same level as Board-retained services. However, initiatives are being taken forward which it is anticipated will lead to a reduction in the coming months.

Internal audit B19/25 – Supplementary Staffing will review controls over the employment of bank and agency staff and controls to monitor demand, acquisition and use of supplementary staffing, focusing on value for money.

### Appraisal

The Remuneration Committee (RC) considered the Chief Executive's Personal Objectives for 2024/25 at their May 2024 meeting. An updated version, to include programmes of work in relation to key educational partnerships was approved at an Extraordinary Committee meeting in June 2024.

The RC considered the 2024/25 objectives for the Executive and Senior Management Cohort at its August 2024 meeting and requested a further review be conducted by the Chief Executive, supported by the Director of Workforce, to ensure that all objectives were SMART (Specific, Measurable, Achievable, Realistic and Time-bound). At their October 2024 meeting the Committee agreed the 2024/25 objectives for the Executive and Senior Manager Cohort. Work to ensure that all Executive Director objectives are SMART will continue and be reflected in mid-year appraisals.

The 2023/24 Annual Report on Medical Appraisals and Revalidation presented to the November 2024 SGC reported that 98% of eligible General Practitioners, 96% of Secondary Care consultants and 86% of Speciality and Specialist doctors had completed appraisal.

Medical Revalidation in NHS Fife was previously overseen by the Medical Appraisal and Revalidation Group which was decommissioned at the end of 2023/24. Revalidation will now be overseen by the newly convened Medical and Dental Professional Standards Oversight Group, chaired by NHS Fife's Medical Director / Responsible Officer. This group will report to both the Clinical and Staff Governance Committees. It is not clear why both Standing Committees receive assurance on this area and we would suggest that reporting through the SGC only is sufficient and would eliminate duplication.

### Talent Management

The Director of People and Culture is directing a Leadership Programme which is to be delivered by the end of 2024/25.

NHS Fife is progressing various strategies to optimise recruitment. The EMERGE programme commenced in August 2024, in partnership with Fife College and National Education for Scotland, and aims to increase the talent pool and supply of workforce to meet NHS Fife workforce plans in the medium to long term.

NHS Fife offers modern Apprenticeships and engagement events are being planned with the Developing the Young Workforce Coordinators for September 2024, to support school pupils who are not predicted to meet the entry grades for Medicine degree courses, to explore other opportunities in healthcare.

### Core Skills Training

Core training compliance at September 2024 was 60% (May 2024 – 53%, October 2023 - 63%) against the corporate target of 80%. The November 2024 SGC was advised of work to increase compliance to achieve the corporate target. The SGC previously noted that 'overall training attainment was disappointing and significant measures were needed to improve these metrics', and our 2023/24 ICE Report commented on the actions to increase compliance reported to the November 2023 SGC. Over the last year compliance has deteriorated and we recommend that the SGC explore the reasons for this, actively monitor the effectiveness of and the outcomes from these refreshed actions and consider if further controls and / or actions are required.

Personal Development and Planning Review completion rate at September 2024 was 42.9% against the national target of 80%. NHS Fife entered 2024/25 with a reframed local trajectory of 60%, which would be increased year on year by 5% until the national target of 80% was introduced locally. The Interim Learning & Development Manager is now engaging with members of the Acute Services and

Corporate Services Division and Corporate Directorates Local Partnership Forum outlining the support that can be provided by the Learning & Development Team to increase core skills compliance levels in these Directorates.

**Attendance Management**

Detailed sickness absence information is now reported to the SGC on a regular basis through the Attendance Management updates, supplementing the summary data in the IPQR presented to each SGC.

The absence rate at September 2024 was 7.07%, against the national target of 4%. NHS Fife has a corporate target of 6.5% by the end of March 2025. Areas of recent improved attendance were analysed and work continues to benchmark with key Health Boards to identify actions that NHS Fife could utilise to improve attendance. The Attendance Management Group has been re-established to oversee a multi factorial review on absence issues, take forward lessons learned, identify priority actions, and seek assurance on actions being implemented. An action plan to support improvement activities had been developed.

Internal audit B20/25 will review management of sickness absence.

**Action Point Reference 8 – Health & Safety Reporting**

**Finding:**

The Health & Safety Sub-Committee Incident Report details the number of incidents during the period and provides useful data but the cover paper does not include:

- Comparative data with previous periods to highlight improvement or deterioration (except for a longer-term chart plotting Violence & Aggression incidents).
- Analysis of data and the reason for incidents and fluctuations.
- Improvement actions and lessons learned.
- Any link between incident reporting and Health & Safety risks.

**Audit Recommendation:**

The Health & Safety Sub-Committee Incident Report cover paper could be enhanced through the inclusion of analysis of data and identification of themes or trends. Any themes or trends should be considered when reviewing Health and Safety risks.

The cover paper could also report on learning from incidents, emerging concerns and areas for escalation and a summary of ongoing improvement actions.

**Assessment of Risk:**

Merits  
attention



There are generally areas of good practice.

**Action may be advised to enhance control or improve operational efficiency.**

**Management Response/Action:**

**Action by:**

**Date of expected completion:**



## FINANCIAL GOVERNANCE

### Corporate Risks aligned to the Finance, Performance and Resources Committee:

#### **Risk 13 Delivery of a balanced in-year financial position: Current Score 25 (high) Target Score 16 (moderate) by 31 March 2025**

There is a risk that due to the ongoing impact of the pandemic combined with the very challenging financial context both locally and nationally, the Board will not achieve its statutory financial revenue budget target in 2024/25 without further planned brokerage from Scottish Government.

#### **Risk 14 Delivery of recurring financial balance over the medium-term: Current Score 25 (high) Target Score 16 (moderate) 31 March 2027**

There is a risk that NHS Fife will not deliver the financial improvement and sustainability programme actions required to ensure sustainable financial balance over the medium-term.

#### **Risk 15 Prioritisation & Management of Capital funding: Current Score 12 (mod) Target Score 8 (moderate) 1 April 2026**

There is a risk that lack of prioritisation and control around the utilisation of limited capital and staffing resources will affect our ability to deliver the PAMS and to support the developing Population Health and Wellbeing Strategy.

#### **Risk 20 Reduced Capital funding: Current Score 20 (high) Target Score 12 (moderate) 30 March 2026**

There is a risk that reduced capital funding will affect our ability (scale and pace) to deliver against the priorities set out in our Population Health and Wellbeing Strategy. It may also lead to a deterioration of our asset base including our built estate, digital infrastructure, and medical equipment. There will be less opportunity to undertake change projects/programmes.

### Financial Planning 2024/25

The Financial Plan 2024/25 – 2027/28 recognises that the scale of the financial challenge over the next 3 years is unprecedented and delivering financial balance across the 5-year timeframe will be extremely challenging. The Scottish Government acknowledged the financial plan for 2024/25 however it remains unapproved by them and dialogue is ongoing. The first draft of the Financial Plan for 2025/26 will be presented to EDG in January 2025.

### Financial Reporting

The financial position is reported to each meeting of the Board and the Finance, Performance and Resources Committee (FPRC). On 26 November 2024 the Board was presented with the latest financial report to the end of October 2024 in private session, prior to the report being considered by the FPRC. Internal Audit commend this approach which ensured Board members were informed of the latest financial position. The report provided Limited Assurance.

Financial reporting to the FPRC and Board has remained consistent, and the position and challenges were clearly presented.

The Executive summary of the Financial Report to end of October 2024 highlighted that:

- *The overall opening financial gap reduced from £54.750m to £51.350m in July 2024 as a consequence of allocation increases notified since the financial plan was approved by the NHS Fife Board in March 2024.*
- *There is a reasonable level of confidence we will achieve £23.6m of the 3% efficiency target and a further push is now on to bridge the £1.4m gap in projected delivery in quarter three.*



- *At the end of October 2024, the level of overspend on health board retained is tracking with plan, after taking account of the cost reduction achieved in the first 7 months in relation to RTP workstreams. This is supported by our forecast outturn and indicates we are on target to deliver an improved position on the forecast outturn identified in our 2023/25 financial plan specifically in relation to the health board retained budget. Whilst the run rate overspend is improving, further sustained improvement is necessary in the second half of the financial year to move as close to a break-even position as possible.*
- *The IJB health delegated position has deteriorated significantly since the overspend reported at July 2024 and is a major cause of concern. We continue to discuss this significant risk and variation from plan with the IJB and Fife Council. A recovery plan developed by the IJB Chief Finance Officer was approved at the extraordinary meeting of the IJB in October 2024. Since that approval the IJB reported forecast has deteriorated by a further £5.5m which presents a significant additional challenge to the overall NHS Fife board forecast position.*
- *This latest move in position will make it very difficult for the overall Board position to meet or improve on the original £30m forecast deficit reported in the financial plan in March 2024.*

### Savings

The overall opening financial gap reduced from £54.750m to £51.350m in July 2024 because of allocation increases notified since approval of the financial plan in March 2024.

While the level of overspend on health board retained is tracking with plan at the end of October 2024 and delivery of an improved position on the forecast outturn in relation to health board retained budget is predicted, the IJB health delegated position has deteriorated significantly since the overspend reported at July 2024. This latest move in position will make it very difficult for the overall Board position to meet or improve on the original £30m forecast deficit reported in the financial plan.

At the end of October 2024 the reported overspend against revenue budgets was £28.690m, comprised of an overspend for health board retained services of £13.770m and £14.920m for the health delegated budget (IJB).

A range of cost improvement schemes and efficiency initiatives have been developed through the Reform phase of Reform, Transform and Perform (RTP), to achieve the non-negotiable 3% (£25m) savings target required by Scottish Government, with the broader Transform phase focusing on changes to services, structures, and care delivery to deliver the remainder of the financial gap sustainably over the next 1-2 years.

The Financial Performance Report presented to Board on 26 November 2024 stated that there is a reasonable level of confidence that £23.6m of the 3% efficiency target will be achieved and a further push is now on to bridge the £1.4m gap in projected delivery in quarter three.

At the end of October 2024, £11.968m of savings was anticipated across the 13 RTP schemes with £9.349m confirmed as delivered, a shortfall on plan of £2.618m. The Service Level Agreement (SLAs) and Business Transformation workstreams continue to present as high-risk areas in terms of non-delivery of savings in line with target.

Recognising the current level of performance of the Business Transformation Programme, a paper to Board on 26 November 2024 provided detail on progress and quantification of bridging actions. The paper provided Moderate Assurance on progress with the workstream and Limited Assurance on financial performance.

SLAs and contracts with external healthcare providers are £3.410m overspent, tracking in line with the financial plan with most of the financial challenge within the SLAs with NHS Lothian and NHS Tayside.

Work must continue at pace to develop contingency plans to ensure the minimum 3% target is delivered. The reporting of the £9.349m savings delivered does not differentiate between recurring

and non-recurring savings. One of the assumptions within the Scottish Government expectations as part of the financial planning guidance for 2024/25 was to have a “*programme of work and supporting actions to achieve a target of 3% recurring savings on baseline budgets.*”

Internal Audit will review strategic and medium term financial planning and prioritisation to support corporate strategies and priorities in internal audit B22/25 Savings.

#### **IJB Lessons Learnt (NHSF Board November 2024 Private Session)**

A movement of circa £10m in the projected outturn for Fife IJB between December and March 2024 had significant implications for NHS Fife and Fife Council and resulted in the risk share agreement being implemented. A root cause analysis of the movement was undertaken by the IJB, and a Lessons Learned Financial Movement Review Report and action plan was considered at an IJB Development Session on 13 September 2024. It was agreed that the action plan would be monitored by the IJB Audit and Assurance Committee. The Lessons Learned paper was presented to Fife NHS Board in private on 26 November 2024 and provided moderate assurance.

Internal Audit are of the view that given the deteriorating IJB financial forecast and the risk of further movement, on-going assurance on progress should be provided to NHS Fife. FTF Internal Audit is the lead internal auditor for Fife IJB and progress with the action plan will be reported in the Fife IJB Internal Control Evaluation and Annual Reports for 2024/25.

#### **IJB Recovery Plan (NHSF Board November 2024 Private Session)**

The Fife Health & Social Care Partnership (HSCP) is forecasting a projected overspend of £27.1m as at 31 March 2025. This is a projected outturn position, and it is likely this will change prior to the year end. As per the requirements of the Integration Scheme, a recovery plan has been developed to mitigate this overspend. The recovery plan was approved by the IJB on 27 October 2024 and progress will be monitored through the IJB Finance, Performance and Scrutiny Committee. The recovery plan has been included as a mitigation for NHS Fife corporate risk 13 - Delivery of a balanced in-year financial position.

The IJB Recovery Plan was reported to the NHS Fife Board on 26 November 2024 in private and the report provided Limited Assurance. The proposals within the recovery plan total £13.505m and do not fully bring budget back in line. The Board paper stated that there is a high level of confidence that the savings can be delivered in full, however, it is likely that these will be delayed until the 2025/26 financial year at the earliest.

Given the recovery plan currently does not fully deliver a break-even position in financial year 2024/25, there is a requirement for further dialogue with partners aligned with section 8.2.3 of the Integration Scheme.

The NHS Fife Financial Performance Report for the period to October 2024 highlighted a further deterioration in the IJB year-end forecast overspend from £21.571m to £27.1m, which is beyond the projected overspend stated within the IJB Recovery Plan and represents an adverse movement of £5.5m on the previously projected outturn. This is a result of a projected £13.655m overspend on health delegated services and a £13.453m overspend on social care services. NHS Fife's share of the full Health & Social Care Partnership (HSCP) overspend at this level would be £16.807m.

Any overspend arising in the IJB requires to be supported by agreed risk-shares from both NHS Fife (60%) and Fife Council (40%). For the remainder of this financial year and into next year NHS Fife and Fife Council, alongside the HSCP, must ensure strong joint focus supports the delivery of the IJB Recovery Plan and that every effort possible is made to reduce the forecast overspend by the year-end.

When the IJB financial plan was approved in March 2024 it assumed a level of resource transfer of £4.1m would be available from health delegated budgets to support costs in social care. The £4.1m

transfer was included in the NHS Fife budget and the IJB financial planning assumptions originally predicted the resource would be available to make the transfer without creating an overspend.

The £4.1m transfer will require to be covered as the associated social care costs have been incurred. Not transferring the resource would result in NHS Fife incurring a higher risk share proportion of the year-end overspend, as the budget position for health delegated will include the £4.1m as part of the NHS Fife contribution level, therefore, given the IJB Direction and in the interests of not triggering this increase the transfer to Fife Council will be made.

For the remainder of the financial year, we would expect that delivery of the IJB Recovery Plan to be carefully monitored by the Board and FPRC, alongside NHS Fife savings plans.

### Finance Risk Reporting Revenue

The two corporate financial risks related to revenue are in year delivery of the financial plan and delivery of recurring financial balance over the medium-term.

The risk report provided to the FPRC in November 2024 for Risk 13 - Delivery of a balanced in-year financial position was updated to reflect the ongoing work with the IJB.

The FPRC November 2024 update on Risk 14 - Delivery of recurring financial balance over the medium term noted that work is ongoing at pace to enable the (Choices) schemes, which informed the design of the Strategic Transformation Portfolio and reflects priority areas across the transformation programme. This work will be planned during the latter half of 2024/25 to ensure the schemes impact on the 2025/26 position.

As expected, the risk scores for both these risks have remained High during 2024. The target risk scores are increasingly challenging in the context of the forecast financial. While the current scoring of the in-year financial position risk of 20 and the target of 16 are more realistic than in the previous year, the scoring should be reviewed to take consideration of the Limited Assurance provided in the most recent NHS Fife Financial Performance report and the IJB Recovery Plan report. Careful ongoing review and reflection of both the target and actual risk scores is necessary to ensure they fully reflect the deterioration in the financial position and the challenging environment.

### Scottish Government Quarter 1 and 2 Review

The Quarter 1 Scottish Government review was reported to both the FPRC and NHS Fife Board (private session) in September 2024. The NHS Fife Quarter 2 review was held on 15 November 2024 and the letter issued to the Board on 21 November 2024. At the time of writing, the Quarter 2 letter had not been reported to either the FPRC or the NHS Fife Board but is scheduled to be reported in January 2025.

The Quarter 2 Letter review highlighted that:

- An overspend of £23.6m and forecast a year-end deficit of £36.8 million which represents a deterioration from the financial plan, which forecast a £29.8 million deficit.
- Drivers of the movement are the IJB forecast deficit of £27.1 million, of which the risk-share agreement would result in a £13.4 million pressure on the Board, as well as the £20.9 million overspend in the Acute Services Division
- At Quarter Two £8.1 million savings have been achieved. The delivery of the forecast outturn of £36.8 million is dependent on the delivery of the full £25 million savings therefore we note the further risk to the Board's performance.

The Scottish Government reiterated that *“it is vital the Board continues to work towards the savings target set of at least 3% recurring savings against baseline budget, as well as progressing further non recurrent measures and assessment of difficult choices to bring the position back towards financial break-even which remains the statutory responsibility of the Accountable Officer to achieve.”*

The Scottish Government Quarter 2 letter echoes both themes and narrative provided by Internal Audit in recent ICE and Annual Reports.

### **NHS Support and Intervention Framework**

NHS Fife is currently assessed at level 2 of the Scottish Government escalation framework, which requires enhanced scrutiny at Scottish Government level.

The NHS Support and Intervention Framework sets out a range of assessment areas, one of which is financial performance. Reporting to the FPRC and NHS Fife Board (both Private Session) in September 2024 provided members of the Board with an initial understanding of the process with NHS Fife self-assessed using the 2023/24 outturn position. The Scottish Government then issued a further iteration of the framework with more detailed questions in relation to financial performance.

A draft submission was provided to the Scottish Government on 24 October 2024, subject to consideration by the FPRC and Board in November 2024.

We have been advised by the Director of Finance and Strategy that following the Quarter 2 Scottish Government meeting, the indication is that NHS Fife will remain at Level 2 subject to a further Scottish Government review against the NHS Scotland Support and Intervention Framework early in 2025.

### **National Resource Allocation Formula (NRAC) Allocation Proposals**

The NHS Fife Board agreed to hold allocating the NRAC resource at least until the Quarter 1 financial results were available, by which time there would be a level of confidence over delivery over the minimum 3% savings target. A paper on NRAC Allocation Proposals scheduled for presentation to the NHSF Board in September 2024 was deferred, at the request of the NHSF Board Chair, to allow for further development and members to provide initial comments.

As reported to the 26 November 2024 Board meeting (private session), the NHS Fife NRAC Allocation of £7.2m is currently reducing the overall 2024/25 year-end forecast and is held in a reserve, rather than being allocated to specific cost areas. The proposal detailed areas where the NRAC allocation is deemed to be of greatest benefit, both in terms of mitigating areas of cost pressure and introducing several cost reduction enabling investments and the NRAC allocation proposals were agreed by the Board.

### **Capital**

The capital plan for 2024/25 was approved in March 2024 as part of the Medium-Term Financial Plan (MTFP). The capital plan is regularly reported to the FPRC, with the latest report to the November 2024 Board (private session) showing limited capital expenditure for the seven months of the financial year due to phasing of schemes, with assurance provided to the Board there are no risks anticipated to the delivery of the capital resource limit by financial year end.

There are two corporate financial risks related to capital, one for Prioritisation & Management of Capital funding and the second related to the Reduced Capital funding.

### **Whole System Planning**

Health Boards are no longer required to submit a Property and Asset Management Strategy and must instead develop a Programme Initial Agreement (PIA) which sets out a deliverable whole-system service and infrastructure plan for the next 20-30 years. The current timeline for submission is January 2026.

The NHS Fife interim business continuity maintenance only investment plan is required to be submitted by January 2025. Estates, Facilities and Capital Planning are developing the Business Continuity Plan and have received input from other specialities, including medical devices and digital. The route of approval is to be through the Financial Capital Investment group, EDG and the FPRC, prior to submitting to the Scottish Government in January 2025.

**Procurement**

The September 2024 FPRC approved the Procurement Strategy and endorsed the Annual Procurement Report, which is a requirement of the Procurement Reform (Scotland) Act 2014.

A comprehensive set of 12 KPIs was agreed as part of the Procurement Strategy. As reported to the FPRC in September 2024 at the end of Quarter 1, progress was positive.

**Bed modelling Clinical and Financial Implications**

The November 2024 FPRC considered a paper on whole system bed modelling across Fife, undertaken by external consultants. The analysis involved close working with the IJB and demonstrates the impact on acute hospitals (phase one), community hospitals (phase two) and care homes (phase three). Phase two is nearing completion with initial modelling suggesting a range of opportunities to reduce the required bed base from the current baseline. Once the baseline is established, this allows for assumptions and projections to be built in, and consideration of various clinical models and pathways of care over a 20-year period. The result will be a planning tool which can be utilised by NHS Fife, to run alongside finance, service, workforce, and infrastructure plans to develop scenarios, and ultimately support creation of Target Operating Models.

**Other Areas covered by ICE Fieldwork**

We reviewed the following areas, none of which highlighted any significant issues:

- Standing Financial Instructions
- Standards of Business Conduct
- Anti-Fraud and Corruption Policy and Response Plan
- Control over the Acquisition, Use, Disposal and Safeguarding of Assets
- Financial Operating Procedures

**Action Point Reference 9 – Savings from RTP****Finding:**

Scottish Government financial planning guidance for 2024/25 required a programme of work and supporting actions to achieve a target of 3% recurring savings on baseline budgets.

Progress to achieve the 3% savings of £25m, to be delivered through RTP is being reported to Board and Standing Committees, but there is no split between recurring and non-recurring savings. Any savings identified on a non-recurring basis will require to be carried forward for inclusion in the 2025/26 financial plan.

**Audit Recommendation:**

Financial Performance reports should make clear that savings achieved on a non-recurring basis will impact on future years financial plans. Reporting of savings in both Financial Performance and RTP Performance Reports should include year-end forecasting of recurrent and non-recurrent savings, together with robust supporting information on how variances will be addressed.

We encourage the use of savings trajectories to highlight and provide early warning of barriers to achievement.

**Assessment of Risk:**

Moderate



Weaknesses in design or implementation of controls which contribute to risk mitigation.

**Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.**

**Management Response/Action:**

An assessment of the savings delivered to October 2024 and the forecast to the year-end indicate £14.8m will be delivered on a recurring basis. This assessment will be considered by EDG, FPR Committee and the NHS Fife Board as part of the regular financial performance reporting and also in the initial preparation of the financial plan for 2025/26. In relation to addressing any shortfall or variances in the assessment of savings delivery, this is considered monthly through the financial review process and contingency actions are developed where possible to mitigate any deviation from plan. This will be an ongoing assessment process throughout the remainder of the financial year.

**Action by:****Date of expected completion:****Director of Finance & Strategy****31 March 2025**



## INFORMATION GOVERNANCE

### Corporate Risks aligned to the Clinical Governance Committee (CGC):

#### **Risk 17 – Cyber Resilience – High Risk (16); Target (12) Moderate by 30 Sep 2025 – Above Risk Appetite**

There is a risk that NHS Fife will be overcome by a targeted and sustained cyber-attack that may impact the availability and/or integrity of digital and information required to operate a full health service.

#### **Risk 18 – Digital and Information – High Risk (15); Target (12) Moderate by 30 Apr 2025 – Above Risk Appetite**

There is a risk that the organisation maybe unable to sustain the financial investment necessary to deliver its D&I Strategy and as a result this will affect our ability to enable transformation across Health and Social Care and adversely impact on the availability of systems that support clinical services, in their treatment and management of patients.

### Governance and Assurance

The Information Governance and Security Steering Group (IG&SSG) and Digital and Information Board (D&IB) continue to provide assurance to the CGC with the latest update presented in September 2024 and a further update scheduled for March 2025. Updates on the D&I Strategy were provided to the CGC in September and November 2024, with the intention to have a Digital and Information Framework developed for March 2025, an extension on the previous target dates of July and then October 2024.

The IGS Accountability and Assurance Framework Report has been developed following a mapping exercise between the Scottish Public Sector Cyber Resilience framework and the Information Commissioners Office (ICO) Accountability Framework and is presented to each meeting of the IG&SSG. Performance metrics for seven of the 10 categories have been established (last ICE reported three of 10 established), with cross references to associated high risks recorded where applicable.

The late issue of papers to both the IG&SSG and D&I Board remains a control weakness as there is a risk that group members have insufficient time to effectively scrutinise the papers ahead of each meeting. Within the AFU section there is an outstanding action to this effect, due for completion by end of April 2025.

### Risk Management

The management of IG&S risks is reported to each IG&SSG meeting four times a year.

The risk report presented to IG&SSG in October 2024 included graphical representation of all the Digital and Information Governance risks. Of the 49 risks recorded, 12 were scored as high, 29 scored as medium and 8 scored as low. There are 14 IG risks and 35 Digital risks. The report demonstrated that overall risk scores are improving. Three risks have deteriorated from initial risk score, with each relating to Cyber Security. We note there is duplication of reporting between the risks reported to IG&SSG and D&I Board.

Both risk reports to the D&IB and IG&SSG provide summary information showing the total number of risks in each category and the number within/out risk appetite highlighted. The report does not currently include commentary on whether the actions underway and planned will be sufficient to bring these risks within the risk appetite in an acceptable timescale.

There have been no deep dives undertaken or planned during 2024/25 for the two Information Governance corporate risks aligned to the CGC. Standard risk reporting to the CGC includes updates on Risk 17 Cyber Security and Risk 18 Digital and Information. Our Annual Report B06/24 recommendation 1 highlighted improvements to the Deep Dive process which are ongoing.

The CGC undertook a Deep Dive of Risk 18 – D&I in November 2023 and of risk 17 – Cyber Resilience in January 2024. No further deep dives for these risks are scheduled within the CGC Workplan for 2024/25 and we would expect these to be completed early in 2025/26. A review of Risk 18 – D&I and a refresh of the Deep Dive will be completed as part of the development of the Digital and Information Strategic Framework.

Although the scores on these two corporate risks have remained static so far in 2024/25, there is evidence of actions being progressed to reduce them towards their target scores and the latest reporting on these includes a timescale for reaching the target level. However, the reality of reaching the target score for cyber will be challenging. Operational risks are also demonstrating improvement with improved risk scores for 26 of the 49.

### **Digital and Information Strategy**

A D&I Framework is being developed to replace the current D&I Strategy and will be presented to the D&I Board on 31 January 2025. Following consultation the aim is for the Framework to be formally approved by the NHS Fife Board by 31 March 2025. The Briefing paper for Digital Strategic Framework presented to the November 2024 CGC stated that alignment to RTP will be a key element of the framework, with links and plans being associated with existing schemes and the emerging CHOICES submission.

The Briefing Paper for Digital Strategic Framework Timeline Update to the CGC on 1 November 2024 provided an analysis of delivery of the extant D&I Strategy. Of the 49 deliverables, 65% have been delivered or are in progress. Some deliverables have been delayed during the strategy period due to the impact of Covid19 requirements, the emergence of additional deliveries and national delivery delays. The approach and steps to be taken to create the D&I Framework were also documented to the CGC.

The regular portfolio and project updates provided to the D&IB outline the status of projects and their strategic alignment.

### **Information Governance Responsibilities**

An NHS Fife Senior Information Risk Owner (SIRO) and Data Protection Officer (DPO) are in place and the SIRO is an Executive Member of the Board.

### **Information Governance Policies and Procedures**

As reported to the October 2024 IG&SSG seven of nine IG policies were within their review date (78%) with two under review – Records Management Policy and Freedom of Information Policy. 16 of 23 D&I policies were within the review date (70%) and seven were under review.

### **Information Governance Incidents and Reporting**

Updates on IG&S incident management are included in the IGS Accountability and Assurance Framework Report presented to each IG&SSG meeting and in the IG&SSG update report presented to CGC twice per year. The most recent update to IG&SSG on 22 October 2024 included:

- the number of IG&S incidents reported via DATIX as 1,192 over the rolling 12-month period.
- Over the rolling 12 month period the number of IG&S incidents reported to the ICO or Competent Authority within the required 72 hour timescale was 78% and from 1 April 2024 to 31 August 2024 four incidents were reported with 50% reported within the 72 hour timescale and one (25%) which required follow-up by the ICO.



**Network and Information Audit 2024 (NISD)**

The IG&S were updated on progress against NISD recommendations at its October 2024 meeting. Overall NHS Fife has compliance status of 93%. During 2024, the following areas of focus were progressed from the 2023 NISD report, with: Supplier Management rating improving from 44% in 2023 to 94% in 2024; Asset Management improving from 63% in 2023 to 87% in 2024; Access Controls improving from 77% in 2023 to 89% in 2024; and Business Continuity improving from 82% in 2023 to 91% in 2024.

These areas have been reported as part of the IG&S Assurance and Accountability Framework throughout 2024.

**Information Governance Training**

During 2023/24 the ICO issued a reprimand to the Board, which highlight that NHS Fife wide, only 42% of staff have undertaken the mandatory IG training. Since that report compliance has slowly increased with the latest position at September 2024 being 64%, as reported to the October 2024 IG&S.

**ICO Reprimand – St Andrews Update**

The July 2024 IG&S was presented with an update from the ICO. NHS Fife had provided the ICO with an update on the areas requiring improvement, with the ICO responding positively to the steps taken by NHS Fife to prevent a similar event from reoccurring.

**NHS Dumfries and Galloway Cyber Incident**





The Clinical Governance Committee in November 2024 was provided with a Briefing on the NHS Dumfries and Galloway Cyber Incident, with the report outlining the learning and observations associated with the incident and providing moderate assurance in relation to NHS Fife. This report highlighted the continued risk of cyber-attack and is part of a suite of reporting to ensure the organisation maintains awareness of the ever-continuing threat. The report provided assurance that the D&I department is assessing NHS Fife's resilience level against these cyber-attacks on a continuous basis and have accelerated the delivery of some planned improvements, found additional quick wins to improve security and conducted exercises to model the impact of the attacks witnessed.

**Crisis Communications Strategy in response to Cyber Attack**

The EDG on 21 November 2024 were presented with a paper on crisis communications in response to the Dumfries and Galloway cyber-attack. The paper will go to Standing Committee for future approval. Given the rise in successful and significant targeted cyber intrusion activity within public sector organisations, during incidents organisations often prioritise their technical response and relegate communication to a secondary consideration. Effective communication to staff, patients, stakeholders, and the media is crucial for shaping how an organisation is perceived and it is therefore vital that NHS Fife has a planned and coordinated approach to ensure timely and consistent messages that instils confidence in the organisation and its response to a cyber-attack or major systems outage.

*Assessment of Risk*

To assist management in assessing each audit finding and recommendation, we have assessed the risk of each of the weaknesses identified and categorised each finding according to the following criteria:

Fundamental		Non Compliance with key controls or evidence of material loss or error. <b>Action is imperative to ensure that the objectives for the area under review are met.</b>	<b>None</b>
Significant		Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores. <b>Requires action to avoid exposure to significant risks to achieving the objectives for area under review.</b>	<b>Two</b>
Moderate		Weaknesses in design or implementation of controls which contribute to risk mitigation. <b>Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.</b>	<b>Six</b>
Merits attention		There are generally areas of good practice. <b>Action may be advised to enhance control or improve operational efficiency.</b>	<b>One</b>



# NHS Fife

**External Audit Annual Plan**

**Year ended 31 March 2025**

December 2024





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# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of NHS Fife for the year ended 31 March 2025 for those charged with governance.

The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement;
- an audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes; and
- provision of an Independent Auditor's Report expressing our opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

## Responsibilities of the auditor and the Board

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

The Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual report and accounts that are in accordance with proper accounting practices. The Board is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 2](#) provides further details of our respective responsibilities.



## Adding Value through the Audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

## Openness and transparency

This report will be published on Audit Scotland's website <http://www.audit-scotland.gov.uk/>

# Audit scope and general approach

## Risk-based audit approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Board and its Group, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.



## Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Audit and Risk Committee.

## Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Our Audit Scotland appointments include Fife Integration Joint Board and Fife Council. Where practicable and appropriate we will share knowledge between our teams to generate efficiencies in the delivery of our audits.

### **Audit Scotland**

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may also be required to provide information to Audit Scotland to support the national performance audits and we may review the Board's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

### **Internal Audit**

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Board is used as efficiently and effectively as possible.

### **Shared systems and functions**

Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and sharing audit findings. Assurance reports are prepared by service auditors in the health sector covering the national systems / arrangements. We consider the audit assurance reports when evaluating the Board's systems.





## Delivering the audit

### Hybrid audit approach

We adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information. All of our staff are fully contactable by email, phone call and video-conferencing. Meetings can be held over Skype, Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

### Secure sharing of information

We use a cloud-based file sharing service 'Info' that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

### Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

### Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts and are acceptable for laying in Parliament. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

## Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatements within the financial statements identified during the audit.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

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**Planning Materiality:** We have set our materiality at 2% of gross expenditure based on the audited financial statements for 2023/24, resulting in £31.935million for the Board and £31.957million for the Group.

**Performance Materiality:** Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £23.951million for the Board and £23.967million for the Group.

**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £1.595million for the Board and £1.597million for the Group.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to the Board.

## Specialised skill or knowledge required to complete the audit procedures

Our audit team will consult internally with our Technology Risk team in:

- Assessing the information technology general controls (ITGC)
- Reviewing the service auditor report findings and following up on any recommendations.

## Going Concern

In most public sector entities (including health boards), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Board.

### Management responsibility

Management is required to make and document an assessment of whether the Board and Group is a going concern when preparing the financial statements. The



review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

### **Auditor responsibility**

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Board's and Group's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the Government's Financial Reporting Manual 2024/25 and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

### **National Fraud Initiative**

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK. It uses technology to compare information held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

Participating bodies will submit datasets for matching in October 2024 and November 2024 and will receive matches for investigation in December 2024 and January 2025.

We will monitor the Board's participation and progress and, where appropriate, include references to NFI in our 2024/25 Annual Audit Report.

### **Anti-money laundering**

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

### **Wider audit scope work**

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector

Commented [CB2]: Appendix 2



audit work. Our initial risk assessment and scope of work planned for 2024/25 is outlined in the “Wider scope of public audit” section of this plan.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2024/25 no such risks have been specified. Nevertheless, the arrangements for responding to climate change continues to be an area of particular focus.

### Climate change

In 2022/23 we were required to gather information on the Board’s response to climate change. Audit Scotland has reviewed the auditor returns assessing climate change and will share the findings from the review with auditors to provide helpful background information for 2024/25 annual audit work.

#### In addition, Audit Scotland will:

- publish a Good Practice Note on disclosures related to climate change following a review of public bodies’ 2022/23 and 2023/24 annual accounts
- provide guidance to auditors on auditing climate change disclosures within the 2024/25 annual accounts of public bodies.

## Best Value

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.

Through our wider scope audit work, we will consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

## Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor’s report setting out our formal audit opinions within the annual report and accounts, and
- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

## Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.





# Group audit scope and risk assessment

As Group auditor under ISA (UK) 600 (Revised November 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

**Commented [CB3]:** I don't think the ARC needs to know this level of detail on the changes to the ISA.

## Group audit scope

The Group consists of the following entities:

Component	Nature and extent of further audit procedures	Planned audit approach
NHS Fife	Full scope	Full scope statutory audit, as set out in this audit plan.
Fife Integration Joint Board (IJB)	None	No procedures planned.
Fife Health Board Endowment Fund (Fife Health Charity)	None	No procedures planned.

**Commented [CB4]:** I think we need to explain what we mean here. Are we saying we do nothing at all in the NHS Fife audit in relation to the IJB?

**Full Scope** Design and perform further audit procedures on the entire financial information of the component, beyond procedures completed to review the consolidation.

**Specific Scope** Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures, beyond procedures completed to review the consolidation.

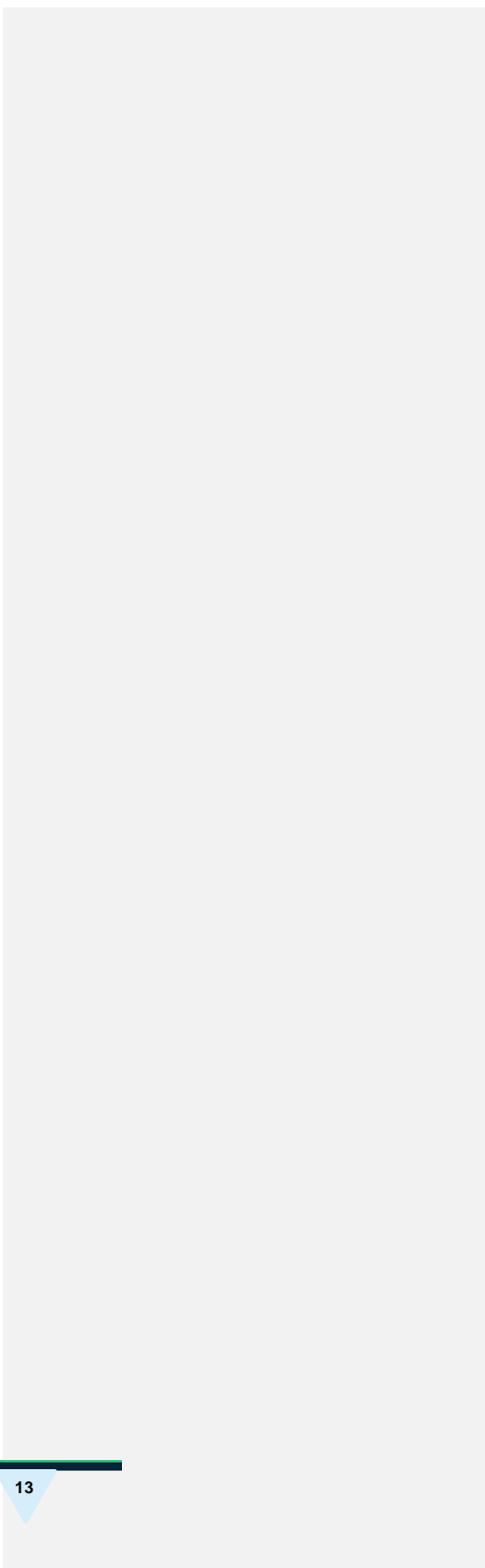
**None** No further audit procedures required, beyond procedures completed to review the consolidation.

## Risks at the component-level

The risks identified at the Board are set out in this external audit plan. There are no other significant risks identified in any of the other components above in respect of the Group audit.

**Commented [CB5]:** Significant risks? Material?

**Commented [CB6]:** Remove as not relevant to this client





# Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

## Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls	Planned audit procedures
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <p>Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</p> <p>Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals.</p> <p>Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Board’s journals policy.</p>





Management override of controls	Planned audit procedures
	<p>Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud.</p> <p>Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</p>



Significant risks at the assertion level for classes of transaction, account balances and disclosures

Fraud in revenue recognition and expenditure	Planned audit procedures
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Board, we consider that the risk of fraud in revenue recognition can be rebutted on Scottish Government Funding, but cannot be rebutted on all other income streams due to the financial pressures facing the public sector as a whole, creating an inherent fraud risk associated with the recording of income and expenditure in the financial statements.</p> <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Board. We consider that the risk can be rebutted on payroll expenditure of permanently employed staff but cannot be rebutted on bank and agency expenditure and other operating expenditure for the reasons set out above.</p> <p>Inherent risk of material misstatement:</p> <p><b>Revenue and expenditure recognition: High</b></p>	<p>We will perform the below procedures based on their value within the financial statements:</p> <p>Documenting our understanding of the Board systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements</p> <p>Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems;</p> <p>Evaluating the Board’s accounting policies for recognition of income and expenditure and compliance with the FreM and NHS Accounts Manual.</p> <p>Substantively testing material income and expenditure streams using analytical procedures and tests of detail.</p>



Valuation of land and buildings (key accounting estimate)	Planned audit procedures
<p>The Board undertakes a full revaluation of its land and buildings annually, with external valuations completed on a five year rolling basis, to ensure that the carrying value is not materially different from the fair value at 31 March 2025.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations during the year.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p>Inherent risk of material misstatement:</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <p>Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</p> <p>Evaluating the competence, capabilities and objectivity of the valuation expert;</p> <p>Considering the basis on which the valuations are carried out and challenging the key assumptions applied;</p> <p>Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data;</p> <p>For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;</p> <p>Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</p> <p>Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</p>



Valuation of land and buildings (key accounting estimate)	Planned audit procedures
Land and Buildings (valuation): Very High	



Provisions – (key accounting estimate)	Planned audit procedures
<p>The Board’s financial statements include provision for legal obligations in respect of participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme).</p> <p>There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>For 2024-25 we anticipate that the Board will recognise a new provision as a result of the review of Band 5 nursing roles recommended following the Agenda for Change review. This provision is anticipated to be subjective and based on a high degree of management judgement and estimation.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Provisions (Valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <p>Reviewing management’s estimation for the provisions and related disclosures.</p> <p>Considering compliance with the requirements of the FreM and NHS Manual for Accounts.</p>

### Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

# Wider scope of public audit

## Introduction

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes.

## Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- identifying significant audit risks at the planning stage of the audit
- reaching conclusions on those risks
- making recommendations for improvement
- where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Audit Practice requires us to structure our commentary under the four areas identified above. [Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the Board's key priorities and risks along with discussions with management and review of board and committee minutes and key strategy documents.

We have identified two significant risks in relation to financial sustainability and financial management as set out in the table below. At this stage, we have not identified any significant risks in relation to the other wider scope areas. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.



## Wider scope significant risks

### Financial sustainability

The Board's medium term financial plan for 2024/25-2026/27 was approved by the Board in March 2024 but remains unapproved by the Scottish Government.

The plan shows that delivery of a breakeven at the end of this three year period, in line with the board's statutory financial duties, will require achievement of £125.3million of cost savings. The Board's Re-Form, Transform, Perform framework provides an approach for identifying, selecting and implementing the required actions to achieve the savings target.

We understand, based on a survey of other Scottish health boards, that NHS Fife's forecast financial gap is broadly typical across the country. However it still represents one of the biggest financial challenges NHS Fife has ever faced.

NHS Fife continues to face major risks to achieving financial balance and transformational service redesign is essential to medium and longer term financial sustainability and performance improvement. The Board's financial sustainability is now at serious risk in the short and medium term.

#### **Our audit response:**

During our audit we will review whether the Board has appropriate arrangements in place to manage its future financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of cost pressures and that continue to support the delivery of the Board's statutory functions and strategic objectives.



**Financial management**

In March 2024, the Board approved the 2024/25 financial plan which showed a projected budget gap of £29.8million after an ambitious cost improvement plan totalling £25million. The remainder of the funding gap will require to be addressed through further service change initiatives delivered through the Re-form, Transform and Perform framework.

The latest forecast (September 2024) projected a forecast deficit of £36.763million at March 2025, resulting from an anticipated risk share of £13.4million due to the deteriorating financial position of Fife IJB and challenges associated with delivering the in-year savings target in full. As at September 2024, only £8.103million of the £25million cost improvement plan had been delivered.

NHS Fife has been reliant on Scottish Government brokerage in both 2022/23 and 2023/24 to achieve financial balance; however, Scottish Government has capped NHS Fife's brokerage for 2024/25 at zero. This puts substantial pressure on NHS Fife to deliver unprecedented levels of recurring savings to achieve financial balance. NHS Fife has had difficulty in previous year in delivering its annual cost saving targets.

There is therefore a continued risk that the 2024/25 statutory financial targets will not be achieved.

**Our audit response:**

During our audit we will consider the Board's approach to planning, implementing, monitoring and reporting on the actions required to achieve a balanced budget and identifying and responding to financial challenges that have occurred during the year.

**Other wider scope work**

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

**Vision, leadership and governance**

- The newly appointed Director of Finance will be responsible for signing aspects of the 2024/25 annual accounts. We will consider the handover arrangements put in place to ensure the new Director of Finance has the appropriate assurances to allow them to sign the 2024/25 annual accounts.
- The progress made by the Board in delivering the Population Health and Wellbeing Strategy.





- The progress made by the Board in implementing the actions within the Blueprint for Good Governance improvement plan.
- Whether the Board can demonstrate that the governance arrangements in place are appropriate and operating effectively.

**Use of resources to improve outcomes**

- Whether the Board can evidence the achievement of value for money in the use of resources.
- How the Board demonstrates a focus on continuous improvement in the context of continuing and significant financial and operational challenge.

# Audit team and logistics

## Audit team

Our audit team will be as follows:

Role	Name	Contact details
Engagement Lead	Chris Brown	Chris.Brown@azets.co.uk
Engagement Senior Manager	Andrew Ferguson	Andrew.Ferguson@azets.co.uk
Audit Manager	Amy Hughes	Amy.Hughes@azets.co.uk
Auditor in Charge	Caitlin Mackenzie	Caitlin.Mackenzie@azets.co.uk

## Timetable

Please find below confirmation of our proposed timetable for the audit as previously discussed with management:

Event	Date
Planning and risk assessment	22 November 2024
Reporting of plan to Audit Committee	12 December 2024
Interim audit	February 2025
Receipt of draft accounts and commencement audit fieldwork	April / May 2025
Audit Committee to consider accounts and audit report	19 June 2025
Board meeting to approve accounts for signing	24 June 2025
Target date for submission of signed accounts to Scottish Government	30 June 2025



## Our expectations and requirements

For us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines agreed with us. These should be complete including all notes, the Performance Report and Accountability Report;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries.

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the Board's finance team work closely together to achieve the above timetable.



# Independence, objectivity and other services provided

## Auditor Independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

No other services were provided by Azets to the Board or any members of the Group

## Other threats and safeguards

Other potential threats for which we have applied appropriate safeguards include:

Other threats to objectivity and independence	Safeguard implemented
A close relative of an Azets employee is a senior officer at NHS Fife (and disclosed in the Remuneration Report).	We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.



# Appendices



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## Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Board and Group and the needs of the users.

When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows.

	Group £million	Board £million
<b>Overall materiality for the financial statements</b>	31.957	31.935
<b>Performance materiality (75% of materiality)</b>	23.967	23.951
<b>Trivial threshold</b>	1.597	1.595

<b>Materiality</b>	<p>Our initial assessment is based on approximately 2% of gross revenue expenditure as disclosed in the 2023/24 audited annual report and accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the Group and Board.</p> <p>The financial statements are considered to be materially misstated where total errors exceed this value.</p>
<b>Performance materiality</b>	75% of materiality



	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<p><b>Trivial threshold</b></p>	<p>5% of overall materiality for the Board and group.</p> <p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

We also consider materiality qualitatively. This includes areas where users are more sensitive to any error. As such we consider the Remuneration & Staff Report and Related Parties disclosures as material by nature.

In performing our audit, we will consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both NHS Fife and the Counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.

## Appendix 2: Responsibilities of the Auditor and the Board

### The Auditor General and Audit Scotland

The Auditor General for Scotland is a Crown appointment and independent of the Scottish Government and Parliament. The Auditor General is responsible for appointing independent auditors to audit the accounts of the Scottish Government and most Scottish public bodies, including NHS bodies, and reporting on their financial health and performance.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

### Auditor responsibilities

#### Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

#### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Board and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

#### Wider scope audit work

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 broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

---

## Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

### Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

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## Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

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## Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.



### Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

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## Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.



### Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

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## Best Value

[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. Through our wider scope audit work, we consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance



of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)



## Board responsibilities

The Board has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	Board responsibilities
<b>Corporate governance</b>	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<b>Financial statements and related reports</b>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.</li> </ul> <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>



Area	Board responsibilities
	<p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Financial position</b></p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best value</b></p>	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.</p>



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<b>Meeting:</b>	<b>Audit and Risk Committee</b>
<b>Meeting date:</b>	<b>12 December 2024</b>
<b>Title:</b>	<b>Corporate Risk Register</b>
<b>Responsible Executive:</b>	<b>Margo McGurk, Director of Finance &amp; Strategy</b>
<b>Report Author:</b>	<b>Dr Shirley-Anne Savage, Associate Director for Risk and Professional Standards</b>

## Executive Summary

- The report highlights a number of updates to existing risks and also reflects potential risks emerging in the system.
- This report provides the latest position in relation to the management of corporate risks. Members are asked to take a **“moderate” level of assurance** that, all actions, within the control of the organisation, are being taken to mitigate the risks as far as is possible to do so.

## 1 Purpose

### This report is presented for:

- Assurance

### This report relates to:

- Annual Delivery Plan
- Emerging issue
- Local policy
- NHS Board / IJB Strategy or Direction / Plan for Fife
- NHS Fife Board Strategic Priorities
  - To Improve Quality of Health & Care Services
  - To Deliver Value and Sustainability
  - To Improve Health & Wellbeing
  - To Improve Staff Experience and Wellbeing

### This report aligns to the following NHSScotland quality ambition(s):

- Safe
- Effective
- Person Centred

## 2 Report summary

### 2.1 Situation

This paper provides an update on the Corporate Risk Register since the last report to the Committee on 12 September 2024. The information reflects the risks being reported through the November 2024 round of governance committee meetings.

Members are invited to:

- review the corporate risks as at 18 October 2024 set out at Appendix 1;
- consider the information against the Assurance Principles and Risk Matrix at Appendix 2 and 3 respectively;
- conclude and comment on the assurance derived from the report.

### 2.2 Background

The Corporate Risk Register aligns to the 4 strategic priorities. The format is intended to prompt scrutiny and discussion around the level of assurance provided on the risks and their management, including the effectiveness of mitigations in terms of:

- relevance
- proportionality
- reliability
- sufficiency

### 2.3 Assessment

#### NHS Fife Strategic Risk Profile

The Strategic Risk Profile as at 18/10/24 is provided at Table 1 below.

**Table 1: Strategic Risk Profile**

Strategic Priority	Total Risks	Current Strategic Risk Profile				Risk Movement	Risk Appetite
To improve health and wellbeing	5	3	2	-	-	◀▶	High
To improve the quality of health and care services	6	4	2	-	-	◀▶	Moderate
To improve staff experience and wellbeing	2	2	-	-	-	◀▶	Moderate
To deliver value and sustainability	6	5	1	-	-	◀▶	Moderate
<b>Total</b>	<b>19</b>	<b>14</b>	<b>5</b>	<b>0</b>	<b>0</b>		
<b>Summary Statement on Risk Profile</b>							



The current assessment indicates that delivery against 3 of the 4 strategic priorities continues to face a risk profile in excess of risk appetite.

Mitigations are in place to support management of risk over time with some risks requiring daily assessment.

Assessment of corporate risk performance and improvement trajectory remains in place.

Risk Key		Movement Key	
<b>High Risk</b>	<b>15 - 25</b>	▲	Improved - Risk Decreased
<b>Moderate Risk</b>	<b>8 - 12</b>	◀▶	No Change
<b>Low Risk</b>	<b>4 - 6</b>	▼	Deteriorated - Risk Increased
<b>Very Low Risk</b>	<b>1 - 3</b>		

- The risk level breakdown is - 14 high and 5 moderate.

## Key Updates

### Risk 1- Population Health & Wellbeing Strategy

The transformation agenda taken forward through RTP will inform opportunities to work towards the delivery of the strategic ambitions. The service, workforce and financial challenges may have an impact on the scope and pace of the delivery of the ambitions within the Strategy.

An Acute Services Clinical Framework is underway that will align to the PHWS and will outline the clinical plans and ambitions for clinical services.

In terms of reporting progress the following reports have been produced:

- PHW Strategy Mid Year Report 23/24
- PHW Annual Report 23/24

### Risk 2 – Health Inequalities

Fife Partnership submitted an application to work with the Institute of Health Equity and become a Marmot place and have been short-listed. One of the ambitions is to identify which interventions are most impactful in closing the health inequalities gap. This will also provide an opportunity to learn from other areas.

Prevention and early intervention strategy has recently been ratified by the IJB. Public Health supported development of the 'Fair financial decision making' checklist to ensure that financial decisions under RTP take into account impacts on protected characteristics and inequalities.

Work is also underway to develop an Inclusion Health Network that will seek to provide a focal point for a range of partners, including the Third sector. This network will advocate for the resolution of issues faced by inclusion health groups such as those who are homeless.

Funding has been confirmed from the Child Poverty Practice Accelerator Fund to sustain the income maximisation worker to support maternity services for 2024/25. The approach will focus on support for families with children who have a potential disability or long-term condition. Subject to satisfactory progress this may be continued into 2025/26.

#### **Risk 4 - Policy obligations in relation to environmental management and climate change**

The Regional working group and representation on the National Board is ongoing. The new RTP infrastructure and change board has evolved to now include sustainability projects designed in response to the NHS Scotland Climate Change Emergency & Sustainability Strategy 2022 – 2026.

We have increased our commitment to partnership working with local third sector organisations including a partnership Director appointment with FCCT (Fife Coast & Countryside Trust) and local government (Fife Council).

A secondary mid-year sustainability & greenspace report has been produced to provide a progress update following the publication of the board report in January 2024.

A corporate risk deep dive was produced in October 2024 on the risk of Environmental Management & Climate change. This is to ensure there will be effective management of the risk that will allow us to meet our strategic priorities.

#### **Risk 5 - Optimal Clinical Outcomes**

Following consideration of the updated Deep Dive review at the Committee's meeting on 1 March 2024, there was further discussion through the Risks and Opportunities Group (ROG) on whether it is appropriate to close the risk and develop a revised risk or risks. Following this and further discussion at Clinical Governance Oversight Group (CGOG), the recommendation was made to EDG on the 5 September 2024 to close the risk and reframe a new risk.

Work is underway on this and will be presented to EDG in December and the Clinical Governance Committee in January. It will then be brought back to this committee in March 2025.

#### **Risk 6 - Whole System Capacity**

There are still discussions around this risk where consideration is being given as to whether it remains a risk or has materialised into an issue. There are also ongoing discussions on how this risk links to the Optimal Clinical Outcomes risk. The Committee will be advised on the outcome of discussions.

#### **Risk 7 – Access to Outpatients, Diagnostics and Treatment Services**

There has been confirmation from the Scottish Government that no additional funding will be received this financial year. This will adversely affect performance particularly within radiology. Outpatient and inpatient/daycase services will continue to work within trajectories submitted to the July FP&R as these were based against the additional monies that were allocated for full financial year.

Priority continues to focus on our urgent and urgent suspicion of cancer patients as well as treating patients based on clinical prioritisation, validating waiting lists and reprioritising patients where indicated and reducing the number of long waiting patients.

### **Risk 8 - Cancer Waiting Times**

As per Risk 7, no additional funding has been received for Cancer waiting Times.

Single Point of Contact Hub (SPOCH) continues to effectively support initiation of the Optimal Lung Cancer and support the negative qFIT pathway. To remove patients from the lung pathway in a timely manner the Hub advises patients of 'good news' albeit the service has had both sickness and vacancy challenges. Support from Health Records has helped timely appointments for patients referred urgent suspected cancer.

The Cancer Framework is currently under review to ensure alignment with the Scottish Cancer Strategy. The Actions for 2024-25 are being agreed. A report highlighting the successes in year 1 and year 2 has been completed and taken to the Cancer Governance and Strategy Group and was tabled at the Clinical Governance Committee on 1 November 2024.

### **Risk 9 - Quality and Safety**

A paper setting out a proposed approach to refreshing the work of the Organisational Learning Group was shared with the Clinical Governance Oversight Group in April 2024 with a formal update to the Executive Directors in August 2024 and also shared at the Board development session in August 2024.

The intention is to redefine the risk beyond the process/governance focus that we currently have.

### **Risk 13 Delivery of a Balanced In-year Financial Position**

There is ongoing work with the Chief Financial Officer to develop and agree a Recovery Plan to support the IJB position, this was considered by the IJB on 25 October 2024.

### **Risk 14 Delivery of Recurring Financial Balance over the Medium-term**

Work is ongoing at pace to enable Choices schemes to be agreed and planned during the latter half of 2024/25 to ensure they impact on the 2025/26 position.

### **Risk 16 - Off-Site Area Sterilisation and Disinfection Unit Service**

This risk has now been removed from the Corporate Risk Register onto an operational risk register held by Acute Services and the Director of Property & Asset Management.

## **Risk 17 – Cyber Resilience**

The Network Information System Directive (NISD) and now Cyber Resilience Framework Audit has concluded for 2024. The compliance rate has increased to 93%, up from 77% from the previous year.

The action plan for improvement will be presented to the Information Governance and Security Steering Group for review and progress tracking. The associated and linked Risks for Cyber Resilience will be reviewed in line with the Audit report.

## **Risk 18 – Digital & information**

A strategy completion report will be presented to the NHS Fife Board in November 2024.

A revised Digital Framework is being created via the Digital Information Board and will be presented to governance committees for review and comment. The annual delivery plan for 2024/25 demonstrates an alignment to the RTP framework and continuation of required national and local digital programmes. A reduced level of activity to match the resource availability and limited levels of finance. (Capital and revenue)

The revised framework will include, financial and workforce planning, to support the mitigation associated risk.

## **Risk 20 - New Corporate Risk - Capital Funding - Service Sustainability**

The Head of Capital Planning & Project Director presented the case for the addition of a new risk at EDG on 2 May 2024 (outlined below). EDG supported the addition of the new risk being included on the Corporate Risk Register aligned to FP&R committee.

***Reduced capital funding will affect our ability (scale and pace) to deliver against the priorities set out in our Population Health and Wellbeing Strategy. It may also lead to a deterioration of our asset base including our built estate, digital infrastructure, and medical equipment. There will be less opportunity to undertake change projects/programmes.***

## **Risk 21 - Pandemic Preparedness**

***There is a risk that a novel pandemic with widely disseminated transmission and significant morbidity and mortality may cause significant harm to those infected and cause widespread disruption to healthcare, supply chains, and social functioning.***

The risk rating aligns with the UK National Risk Register 2023. The current and target risk rating are both 20, reflecting that the likelihood of a pandemic is not within local control and, although consequences may be mitigated through local preparation, consequences will remain extreme.

An NHS Fife Pandemic Framework Group has been established to coordinate management of this risk, including consideration and implementation of measures to

reduce the pressures and negative effects a pandemic would cause locally, and to act as a source of advice to the organisation and partners.

Work is underway to collate lessons from the COVID-19 response and outputs of related inquiries and implement these locally.

Preparation underway to deliver large-scale population immunity and immunisation campaigns.

Details of all risks are contained within Appendix No. 1.

## Potential New Corporate Risks

### Substance Related Morbidity and Mortality

Consideration is being given to a corporate risk on Substance Related Morbidity and Mortality. A deep dive is underway for presentation and consideration at EDG.

### Next Steps

The Corporate Risk Register will continue to evolve in response to feedback from this Committee and other stakeholders, including via Internal Audit recommendations. The Register will require to adapt to reflect the current operating landscape, and our risk appetite in relation to changes in the internal and external environment including developments associated with the Reform, Transform, Perform Programme.

A Board Development session on risk appetite was held on the 8 April 2024 with a further session on 25 June 2024. The session included consideration of the Integration Joint Board (IJB) risk appetite statement which has 5 levels of risk appetite against NHS Fife's current 3 level model. The Associate Director for Risk & Professional Standards and the Director of Digital & Information who facilitated the session pulled together recommendations for consideration by the Board. The Board agreed the updated risk appetite at their meeting on the 26 November 2024.

The Risks and Opportunities Group will seek to enhance its role in the identification and assessment of emergent risks and opportunities and make recommendations on the potential impact to the Board's Risk Appetite position. The Group will also contribute to the development of the process and content of Deep Dive Reviews.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		x		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk,	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

	amount of residual risk or none at all.	moderate amount of residual risk.	which requires further action to be taken.	
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### 2.3.1 Quality, Patient and Value-Based Health & Care

Effective management of risks to quality and patient care will support delivery of our strategic priorities. It is expected that the application of realistic medicine principles will ensure a more co-ordinated and holistic focus on patients' needs, and the outcomes and experiences that matter to them, and their families and carers.

### 2.3.2 Workforce

Effective management of workforce risks will support delivery of our strategic priorities, to support staff health and wellbeing, and the quality of health and care services.

### 2.3.3 Financial

This paper does not raise, directly, financial impacts, but these do present significant elements of risk for NHS Fife to consider and manage in pursuit of our strategic priorities.

### 2.3.4 Risk Assessment / Management

Management and oversight of the corporate risks continue to be maintained, with risk reporting provided regularly to the relevant groups and committees.

The majority of risks remain above risk appetite, reflecting the ongoing the ongoing level of demand across all services within an increasingly challenging financial environment. The appetite status is as follows:

**Above - 11**

**Within - 6**

**Below - 2**

### 2.3.5 Equality and Diversity, including health inequalities and Anchor Institution ambitions

An Equality Impact Assessment (Stage 1) was carried out to identify if any items of significance need to be highlighted to EDG. The outcome of that assessment concluded that no further action was required.

### 2.3.6 Climate Emergency & Sustainability Impact

This paper does not raise, directly, issues relating to climate emergency and sustainability. These items do form elements of risk for NHS Fife to manage.

### 2.3.7 Communication, involvement, engagement and consultation

This paper reflects engagement with Executive and Non-Executive Directors, the Director of Digital & Information, the Associate Director for Risk & Professional Standards and discussions within the Risks and Opportunities Group.

### 2.3.8 Route to the Meeting

- Margo McGurk, Director of Finance & Strategy on 27 November 2024

## 2.4 Recommendation

This report provides the latest position in relation to the management of corporate risks. Members are asked to take a “**moderate**” **level of assurance** that, all actions, within the control of the organisation, are being taken to mitigate the risks as far as is possible to do so.

## 3 List of appendices

Appendix 1 - NHS Fife Corporate Risk Register as at 18 October 2024

Appendix 2 - Assurance Principles

Appendix 3 - Risk Matrix


### Report Contact

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## NHS Fife Corporate Risk Register as at 18/10/24

No	Strategic Priority and Risk Appetite	Risk Title and Description	Mitigation	Risk Appetite Status	Current Risk Level/ Rating	Target Risk level & rating by dd/mm/yy	Current Risk Level Trend	Risk Owner	Primary Committee
1	 <p style="text-align: center;"><b>HIGH</b></p>	<p><b>Population Health and Wellbeing Strategy</b></p> <p>There is a risk that the ambitions and delivery of the new organisational Strategy do not deliver the most effective health and wellbeing and clinical services for the population of Fife.</p>	<p>The strategy was approved by the NHS Fife Board in March 2023. This is in the context that the management of this specific risk will span a number of financial years.</p> <p>The service, workforce and financial challenges may have an impact on the scope and pace of the delivery of the ambitions within the Strategy.</p> <p>NHS Fife's Annual Delivery Plan 2024/25 was agreed by Scottish Government. Together with the Corporate Objectives and RTP, this lays out the plans for 2024/25. Regular updates describe the progress against these plans.</p> <p>The transformation agenda taken forward through RTP will inform opportunities to work towards the delivery of the strategic ambitions.</p> <p>An Acute Services Clinical Framework is underway that will align to the PHWS and will outline the clinical plans and ambitions for clinical services. In terms of reporting progress the following reports have been produced:</p> <ul style="list-style-type: none"> <li>• PHW Strategy Mid Year Report 23/24</li> <li>• PHW Annual Report 23/24</li> </ul> <p>The PHW Strategy Mid Year Report 24/25 is in draft form.</p>	Below	Mod 12	Mod 12 by 31/03/25	◀▶	Chief Executive	Public Health & Wellbeing (PHWC)
2		<p><b>Health Inequalities</b></p> <p>There is a risk that if NHS Fife does not develop and implement</p>	<p>Public Health and Wellbeing Committee established, with the aim of providing assurance that NHS Fife is fully engaged</p>	Within	High 20	High 15 by 31/10/24	◀▶	Director of Public Health	Public Health & Wellbeing (PHWC)





HIGH

an effective strategic approach to contribute to reducing health inequalities and their causes, health and wellbeing outcomes will continue to be poorer, and lives cut short in the most deprived areas of Fife compared to the least deprived areas, representing huge disparities in health and wellbeing between Fife communities.

in supporting wider population health and wellbeing for the local population.

The Population Health and Wellbeing Strategy is monitoring actions which will contribute to reducing health inequalities.

Consideration of Health Inequalities within all Board and Committee papers.


Leadership and partnership working to influence policies to 'undo' the causes of health inequalities in Fife.

Development of Anchors strategic plan with links to addressing determinants of health inequalities. Key achievements to date:


- Real Living Wage accreditation achieved
- 100% of newly awarded contracts of 50K and over are with Real Living Wage accredited businesses
- Eight employability programmes in place and engaging with Local Employability partnership
- Baseline reporting in place to track spend on local businesses within Fife

Fife Partnership submitted an application to work with the Institute of Health Equity and become a Marmot place and have been short-listed. One of the ambitions is to identify which interventions are most impactful in closing the health inequalities gap. This will also provide an opportunity to learn from other areas.

Prevention and early intervention strategy has recently been ratified by the IJB. Public Health supported development of the 'Fair financial decision making' checklist to ensure that financial decisions


			<p>under RTP take into account impacts on protected characteristics and inequalities.</p> <p>Work is also underway to develop an Inclusion Health Network that will seek to provide a focal point for a range of partners, including the Third sector. This network will advocate for the resolution of issues faced by inclusion health groups such as those who are homeless.</p> <p>Funding has been confirmed from the Child Poverty Practice Accelerator Fund to sustain the income maximisation worker to support maternity services for 2024/25. The approach will focus on support for families with children who have a potential disability or long-term condition. Subject to satisfactory progress this may be continued into 2025/26.</p>						
4	 <p><b>HIGH</b></p>	<p><b>Policy obligations in relation to environmental management and climate change</b></p> <p>There is a risk that if we do not put in place robust management arrangements and the necessary resources, we will not meet the requirements of the 'Policy for NHS Scotland on the Global Climate Emergency and Sustainable Development, Nov 2021.'</p>	<p>Robust governance arrangements remain in place including an Executive Lead and a Board Champion. Further appointments have been made which include a lead for Clinical Sustainability and a non-exec Sustainability Champion.</p> <p>Regional working group and representation on the National Board ongoing. The new RTP infrastructure and change board has evolved to now include sustainability projects designed in response to the NHS Scotland Climate Change Emergency &amp; Sustainability Strategy 2022 – 2026.</p> <p>Active participation in Plan 4 Fife continues.</p> <p>The NHS Fife Climate Emergency Report and Action Plan have been developed. These form part of the Annual Delivery Plan (ADP). The Action Plan includes mechanics and timescales.</p>	Below	Mod 12	Mod 10 by 01/04/25	◀▶	Director of Property & Asset Management	Public Health & Wellbeing (PHWC)



			<p>Our objectives are set out and monitored through Section 10 of the ADP</p> <p>Work is ongoing with SG, Fife Council and East Region to include innovation in energy generation etc.</p> <p>We have increased our commitment to partnership working with local third sector organisations including a partnership Director appointment with FCCT (Fife Coast &amp; Countryside Trust) and local government (Fife Council).</p> <p>The Board's Climate Change Annual Report was prepared for submission to PHWC in January 2024 and thereafter to Scottish Government (SG) and has been published as per the requirements of the policy DL38. A secondary mid-year sustainability &amp; greenspace report has been produced to provide a progress update following the publication of the board report in January 2024.</p> <p>Resource in the sustainability team has increased to 4 FTE's in total including an energy manager who will be key in supporting the requirements of the strategy and policy.</p> <p>The Head of Sustainability has been seconded from the Estates initially for 18 months to drive delivery of the Climate Emergency Action Plan.</p> <p>A partnership plan for Fife Council, Fife College and University of St Andrews was prepared for submission to the Fife Partnership board in May 2024. This set out the agreed actions discussed in the 'addressing the climate emergency working group' and formally create joint</p>						
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			<p>actions we will work on as part of the climate emergency in Fife.</p> <p>A corporate risk deep dive was produced in October 2024 on the risk of Environmental Management &amp; Climate change. This is to ensure there will be effective management of the risk that will allow us to meet our strategic priorities.</p>						
5	 <p><b>HIGH</b></p>	<p><b>Optimal Clinical Outcomes</b></p> <p>There is a risk that recovering from the legacy impact of the ongoing pandemic, combined with the impact of the cost-of-living crisis on citizens, will increase the level of challenge in meeting the health and care needs of the population both in the immediate and medium-term.</p>	<p>Following consideration of the updated Deep Dive review at the Committee's meeting on 1 March 2024, there was further discussion through the Risks and Opportunities Group (ROG) on whether it is appropriate to close the risk and develop a revised risk or risks. Following this and further discussion at Clinical Governance Oversight Group (CGOG), the recommendation was made to EDG on the 5 September 2024 to close the risk and reframe. Work continues on the re-framing.</p> <p>The Board has agreed a suite of local improvement programmes, as detailed in the diagram below and related activities, to frame and plan our approach to meeting the challenges associated with this risk.</p>	Within	High 15	Mod 10 by 31/09/24	◀▶	Medical Director	Clinical Governance (CGC)




			<p>The governance arrangements supporting this work will inform the level of risk associated with delivering against these key programmes and reduce the level of risk over time:</p> <p>Delivery of the Population Health &amp; Well-being Strategy</p> <p>Delivery of the Recovery and Renewal Priorities Plan4Fife 2021-2024 Update</p> <p>Embedding of Anchor Institution Principles</p> <p>Continue the work of the Integrated Planned Care Programme Board (Chaired by the Director of Acute Services).</p> <p>Continue the work of Integrated Unscheduled Care Project Board (chaired by the Medical Director) reporting to the Clinical Governance Committee three times per year.</p> <p>Continue the work of the Acute Cancer Services Delivery Group (chaired by the Director of Acute Services) reporting to the Cancer Governance and Strategy Group (chaired by the Medical Director).</p> <p>Continue to develop and implement Annual Delivery Plans for the Cancer Framework.</p> <p>Continue the work of the Primary Care Strategy Group</p> <p>Continue work on the Mental Health Redesign Programme</p> <p>Continue the work of the Scheduled Care Group</p>					
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			<p>Review the Scottish Government (SG) Value Based Health &amp; Care. A Vision for Scotland, December 2022 document against our local plans.</p> <p>Continue escalation of issues through Senior Leadership Teams to Executive Director's Group then through to Clinical Governance Committee and other committees as appropriate</p> <p>Implement the Fife H&amp;SCP Strategic Plan for Fife 2023-26</p> <p>Implement the Cancer Framework Delivery Plan 2024/25</p> <p>Ensure the NHS Fife Realistic Medicine/Value Based Health Care Delivery Plan aligns with the Scottish Government (SG) Value Based Health &amp; Care. Action Plan 2023.</p>						
6	 <p><b>MODERATE</b></p>	<p><b>Whole System Capacity</b></p> <p>There is a risk that significant and sustained admission activity to acute services, combined with challenges in achieving timely discharge to downstream wards and/or provision of social care packages, that the management of Acute hospital capacity and flow will be severely compromised.</p>	<p>This risk is to be discussed at EDG, where consideration will be given as to whether it remains a risk or has materialised into an issue.</p> <p>Work on bed modelling and redesign of the front door is underway.</p> <p>The combination of application of our OPEL process on a daily basis and the improvement work through our Integrated Unscheduled Care and Planned Care programmes provides the operational and strategic response to the challenges posed through this risk.</p> <p>A Whole System Winter Plan will be reviewed for 24/25. This will include a response to surge and demand for an increase in capacity and flow through Acute, Community and Social Care.</p> <p>The System Flow Operational Group</p>	Above	High 20	Mod 16 by 31/03/25	◀▶	Director of Acute Services	Finance, Performance & Resources (F,P&RC)



			<p>meets weekly with senior operational managers to review and plan capacity and flow across the Fife health and care system with escalation to the Integrated Unscheduled Care Board.</p> <p>Whole System Essential Flow Verification provides assurance that all patients identified as clinically fit or with a Planned Date of Discharge are reviewed daily.</p> <p>Weekly ASD Long Length of Stay (LoS) verification group to review and action LoS. Weekend verification group reviews the number of discharges and staffing ahead of weekend.</p> 						
7	 <p><b>MODERATE</b></p>	<p><b>Access to outpatient, diagnostic and treatment services</b></p> <p>There is a risk that due to demand exceeding capacity, compounded by unscheduled care pressures, NHS Fife will see deterioration in achieving waiting time standards. This time delay will impact clinical outcomes for the population of Fife.</p>	<p><b>A paper was presented to the July FP&amp;R meeting outlining the Planned Care Plan and the utilisation of funding.</b></p> <p>Planning for 2024/25 has been completed in line with planning guidance letter received on 24/01/24.</p> <p>The issue of the confirmed funding being 1M less than the committed staff costs has now been resolved as the Scottish Government have confirmed a</p>	Above	High 20	High 16 by 31/03/25	◀▶	Director of Acute Services	Finance, Performance & Resources (F,P&RC)


			<p>further 3.4M to maintain 2023/24 activity levels. The Board has also successfully secured non-recurring funding from the 30M available nationally to support elective waiting times.</p> <p>The Planned Care Plan was approved by the FP&amp;R Committee at the July meeting. This includes additional clinics, enhanced vetting and increased theatre capacity as well as funding additional medical posts (urology, neurology, gynaecology and ENT).</p> <p>The Integrated Planned Care Programme Board continues to oversee the productive opportunities work and this along with ongoing waiting list validation seeks to maximise available capacity.</p> <p>Speciality level plans in place outlining local actions to mitigate the most significant areas of risk. Focus remains on urgent and urgent suspicious of cancer patients however routine long waiting times will increase.</p> <p>Weekly waiting times meetings to review and action long waits. Monthly meeting to review and develop longer term plans to improve waiting times.</p> <p>Monthly meetings with Scottish Government to monitor delivery against the annual plan.</p> <p>The governance arrangements supporting this work continue to inform the level of risk associated with delivering against these key programmes and mitigate the level of risk over time.</p> <p>Discussions continue with Scottish Government around the need for additional funding to help reduce the</p>						
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			<p>waiting times for long waiting routine patients.</p> <p>September 2024</p> <p>Confirmation from Scottish Government that no further additional funding will be received for this financial year.</p> <p>The anticipated Q2, Q3 and Q4 funding for Radiology with the exception of mobile imaging monies submitted against bids for 30m non-recurring funding has ceased. This will adversely affect performance in the latter part of the year particularly impacting ultrasound waiting times where there has been significant improvement in Q1. Projected 90% of patients waiting less than 6 weeks will not be met.</p> <p>Outpatient and IPDC services will continue to work within trajectories submitted at July FP&amp;R as these were based against the additional monies that were allocated for full financial year.</p> <p>Priority continues to focus on our urgent and urgent suspicion of cancer patients as well as treating patients based on clinical prioritisation, validating waiting lists and reprioritising patients where indicated and reducing the number of long waiting patients.</p>						
8	 <p><b>MODERATE</b></p>	<p><b>Cancer Waiting Times (CWT)</b></p> <p>There is a risk that due to increasing patient referrals and complex cancer pathways, NHS Fife will see further deterioration of Cancer Waiting Times 62-day performance, and 31 day performance, resulting in poor patient experience, impact on clinical outcomes and failure to</p>	<p><b>A paper was presented to the July FP&amp;R meeting outlining the Planned Care Plan and the utilisation of funding.</b></p> <p>The prostate project group continues with actions identified to improve steps in the pathway with a review of the group to ensure appropriate buy in.</p>	Above	High 15	Mod 12 by 31/03/25	◀▶	Director of Acute Services	Finance, Performance & Resources (F,P&RC)

		<p>achieve the Cancer Waiting Times Standards.</p>	<p>The Nurse-led model went live in August 2023 however there has been reduced activity due to training of a replacement staff member.</p> <p>There was a focus to look at the waits to TP biopsy, post MDT part of the pathway and review robotic surgery capacity. TP biopsy waits have improved however the Post MDT part of the pathway (OPA and Oncology) together with robotic capacity remains challenging.</p> <p>Fortnightly meetings with Scottish Government (SG) and quarterly monitoring of the Effective Cancer Management Framework is currently under review.</p> <p>Single Point of Contact Hub (SPOCH) continues to effectively support initiation of the Optimal Lung Cancer and support the negative qFIT pathway. To remove patients from the lung pathway in a timely manner the Hub advises patients of 'good news' albeit the service has had both sickness and vacancy challenges. Support from Health Records has helped timely appointments for patients referred urgent suspected cancer.</p> <p>The Cancer Framework is currently under review to ensure alignment with the Scottish Cancer Strategy. The Actions for 2024-25 are being agreed. A report highlighting the successes in year 1 and year 2 has been done and taken to the Cancer Governance and Strategy Group and is due to be tabled at Clinical Governance Committee</p> <p>The governance arrangements supporting this work will inform the level of risk associated with delivering against these key programmes and reduce the level of risk over time.</p>						
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			<p>Cancer Waiting Times funding will be provided on a recurring basis from 2024-25. Bids have been prioritised to support improvement.</p> <p>Submitted bids against the 30M non-recurring funding have been successful for Q1 and Q2 and has now ceased. No further funding has been agreed. The focus of this funding was on diagnostics, treatment and backlog clearance.</p> <p>ADP Actions for 2024/25 have been reviewed.</p>						
9	 <p><b>Quality &amp; Safety</b></p> <p>There is a risk that if our governance, arrangements are ineffective, we may be unable to recognise a risk to the quality of services provided, thereby being unable to provide adequate assurance and possible impact to the quality of care delivered to the population of Fife.</p>	<p>Effective governance is in place and operating through the Clinical Governance Oversight Group (CGOG) providing the mechanism for assurance and escalation of clinical governance (CG) issues to Clinical Governance Committee (CGC).</p> <p>There are also effective systems &amp; processes to ensure oversight and monitoring of national &amp; local strategy / framework / policy /audit implementation and impact.</p> <p>One of the root causes of this risk is that there are “no effective system of supporting effective organisational learning”.</p> <p>The Organisational Learning Leadership Group (OLLG) has confirmed a workplan for 2024/2025. A key focus of this work will be the development of a Learning from Clinical Experience Collaborative that brings multiprofessional groups together across the NHS Fife healthcare system to share learning as a collective.</p> <p>Another change which aligns to the work of the OLLG and the Adverse Events</p>	<p>Within</p>	<p>Moderate 12</p>	<p>Low 6 by 31/03/25</p>		<p>Medical Director</p>	<p>Clinical Governance (CGC)</p>	

			<p>Improvement Plan is that from 1<sup>st</sup> August all significant adverse events graded as a 4 (i.e. (“A <i>different plan and or delivery of care, on balance of probability, would have been expected to result in a more favourable outcome, i.e. how case was managed had a direct impact on the level of harm</i>”) will now have the associated improvement plans returned to the Executive SAER panel for oversight and monitoring of improvement actions.</p> <p>The intention is to redefine the risks relating to Quality and Safety beyond the process/governance focus that we currently have.</p>						
10	 <p><b>MODERATE</b></p>	<p><b>Primary Care Services</b></p> <p>There is a risk that due to a combination of unmet need across health and social care as a result of the pandemic, increasing demand on services, workforce availability, funding challenges, adequate sufficient premises and overall resourcing of Primary Care services, it may not be possible to deliver sustainable quality services to the population of Fife for the short, medium and longer term.</p>	<p>A Primary Care Governance and Strategy Oversight Group (PCGSOG) is in place.</p> <p>A Primary Care Strategy was developed following a strategic needs analysis and wide stakeholder engagement. This was approved at IJB in July 2023 and is now moving to implementation. This is a 3-year strategy focused on recovery, quality and sustainability. The Annual Report for year one of delivery of the strategy was presented and approved at the PCGSOG on 16 August 2024 has now progressed to the IJB and NHS Fife Board. Of 41 actions, 25 are complete and the remaining 16 are on track as we move into year two of the plan.</p> <p>Development of a Performance and Assurance Framework covering qualitative and quantitative performance will provide robust reporting, monitoring and oversight of implementation and impact of the Primary Care Strategy to committees quarterly. This is due by end of January 2024. <b>Completed</b> – this will go to the Primary Care Governance and</p>	Above	High 16	Mod 12 by 31/03/25	◀▶	Director of Health & Social Care	Public Health & Wellbeing (PHWC)

			<p>Strategic Oversight Group for ratification. Complete</p> <p>Following approval of the Performance and Assurance Framework an annual report will be presented to Committee / IJB.– Complete as above</p> <p>A Primary Care Improvement Plan (PCIP) is in place; subject to regular monitoring and reporting to General Medical Services (GMS) Board, Quality &amp; Communities (Q&amp;C) Committee, IJB and Scottish Government.</p> <p>A workshop took place in January 2023 to review and refresh the current PCIP to ensure it is contemporary and based on current position and known risks to ensure a realistic and feasible PCIP. A Primary Care Strategy Stakeholder workshop for year two is now being planned. A report describing progress of PCIP 23/24 was presented and supported at PCGSOG – 16 August 2024 and has now progressed to Committees of IJB and NHS Fife.</p> <p>Local negotiations in relation to MOU2 transitionary payments are complete and agreement has been reached and implemented for 23/24. Awaiting further direction and/or guidance from Scottish Government for 24/25. Guidance now received and detailed within PCIP report above. Discussions continue locally.</p> <p>Memorandum of Understanding 2 (MOU2) - in line with the direction of MOU2, the focus for the PCIP remains to be delivery of a complete CTAC and Pharmacotherapy, This programme of work will be underpinned by the PCIP 2023-2024 with regular monitoring and oversight by the GMS groups and the</p>						
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			<p>governance structures of the IJB. This will be reviewed - April 2024. - Complete</p> <p>Pharmacotherapy and CTAC models for care continue to be developed and implemented throughout 2024/25. A General Practice Pharmacy Framework has been issued by the Directors of Pharmacy which outlines the vision to transform the pharmacy service in GP Practices. Pharmacotherapy, CTAC and In Hours Urgent Care have been accepted to HIS Primary Care Improvement Collaborative</p> <p>MOU2 remains the national direction regarding delivery of PCIP. Programme of work continues with regular monitoring and oversight by GMS groups and governance structures of the IJB. Awaiting further direction and/or guidance from Scottish Government for 24/25– see above re PCIP report.</p> <p>GMS IG have now approved end point to delivery of PCIP as March 2026. Planning is now being progressed in line with this.</p> <p>Pharmacotherapy and CTAC models for care continue to be shaped and developed. The anticipated date for completion is April 2024.– Complete. Level of 82% achieved for CTAC. All practices (52 across Fife) have access to Pharmacotherapy service.</p> <p>Primary Care Strategic Communication Plan has been developed and approved at PCGSOG and is now a key deliverable of the year two strategy.</p>						
11		<b>Workforce Planning and Delivery</b>	Continued development of the workforce elements of the Annual Delivery Plan, Population Health & Wellbeing Strategy	Above	High 16	Mod 8 by	◀▶	Director of Workforce	Staff Governance (SGC)



MODERATE

There is a risk that the current supply of a trained workforce is insufficient to meet the anticipated Whole System capacity challenges, or the aspirations set out within the Population Health & Wellbeing Strategy, which may impact on service delivery

and Strategic Framework; alongside the Workforce Plan for 2022 to 2025 and aligned service-based workforce plans and now aligning to new RTP Programme And agreed workstreams. Awaiting revised national Workforce Planning guidance and timetable in Autumn 2024 to inform publication of Workforce Plan for 2025 onwards. Regular updates provided to SG and to NHS Fife

Board.Implementation of the Health & Social Care Workforce Strategy and Plan for 2022 to 2025 to support the Health & Social Care Strategic Plan for 2023 to 2026, the Plan for Fife and the integration agenda.

Implementation of the NHS Fife Board Strategic and Corporate Objectives, particularly the “exemplar employer / employer of choice” and the associated values and behaviours and aligned to the ambitions of an Anchor Institution, e.g. Employability agenda / Modern Apprenticeships with a health focused Careers Event planned for later this year, in conjunction with the Developing the Young Workforce Fife Board.


The new EMERGE programme in conjunction with Levenmouth Academy, Fife College and NES, now offering up to 22 places for pupils interested in health-related careers, commenced in August.



ScotCom: widening participation. The partnership agreement is signed between NHS FIFE and University of St Andrews and a programme timetable launched starting with a briefing targeting high school influencers in late April and the application window for the summer school opening in June 2024. Further engagements events are in planning with DYW coordinators for September 2024 to


31/03/25




			<p>support pupils who are not predicted to meet the entry grades for Medicine degree courses to explore other opportunities in healthcare.</p> <p>The HSCP Anchor group has formed with the first meeting held in April 2024. Integrated membership includes social care, nursing, business enabling and administrative services. Public Health Input and direction to support the group to start to map out workforce ambitions.</p> <p>Continued development of Service Level Workforce Plans, taking account of the 2024/2025 ADP submissions to establish the projected workforce gap between supply, demand, the financial envelope and identifying workforce and non-workforce solutions services are progressing to mitigate workforce risks and balance service delivery. Quarterly Workforce Planning updates have been built into the governance cycle for 2024/2025, now revised to updates at each SGC meeting.</p> <p>Consideration of impact of planned reduction in Agenda for Change staffs' full time working week from 37.5 hours to 36 hours per week on workforce numbers and service capacity, with modelling being undertaken in line with National implementation plans.</p> <p>Consideration and modelling of impact of non-pay elements of Agenda for Change staff pay award for 2023/2024 in respect of Band 5/6 nursing review.</p> <p>Consideration of impact of non-pay elements of Agenda for Change staff pay award for 2023/2024 in respect of protected learning time (PTL) has resulted</p>						
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			in various approaches to support implementation of PLT.						
12	 <p><b>MODERATE</b></p>	<p><b>Staff Health and Wellbeing</b></p> <p>There is a risk that if due to a limited workforce supply and system pressure, we are unable to maintain the health and wellbeing of our existing staff we will fail to retain and develop a skilled and sustainable workforce to deliver services now and in the future.</p>	<p>Working in partnership with staff side and professional organisations across all sectors of NHS Fife to ensure staff health and wellbeing opportunities are maximised, to support attraction, development and retention of staff.</p> <p>The Staff Health &amp; Wellbeing Framework for 2022 to 2025, setting out NHS Fife's ambitions, approaches and commitments to staff health and wellbeing, are both in place in order to deliver these commitments.</p> <p>HSCP has developed a Wellbeing Action Plan 2024-25, created with colleagues from NHS Fife and other stakeholders to add value to the corporate employers wellbeing work.</p> <p>Consideration and review of staff support priorities for 2022-2025 being progressed via Staff Health &amp; Wellbeing Group and other fora, aligned to Action Plan and new IWWC actions. Current focus on wellbeing support for Doctors and Dentists in Training, aligned to RTP programme.</p> <p>Work progressing on Promoting Attendance improvement actions to support reductions in staff absence and promote staff wellbeing. This includes commencing multifactorial reviews within targeted areas to develop bespoke support to both staff and managers in these areas as part of the 2024 / 2025 initiatives, overseen by a new Board wide assurance group.</p>	Above	High 16	Mod 8 by 31/03/25	◀▶	Director of Workforce	Staff Governance (SGC)
13		<p><b>Delivery of a balanced in-year financial position</b></p>	<p>Our approach to financial recovery will be delivered by our new Re-form, Transform and Perform Framework (RPT).</p>	Above	High 25	Mod 16 by 31/03/25	◀▶	Director of Finance & Strategy	Finance, Performance & Resources (F,P&RC)

	 <p><b>MODERATE</b></p>	<p>There is a risk that due to the ongoing impact of the pandemic combined with the very challenging financial context both locally and nationally, the Board will not achieve its statutory financial revenue budget target in 2024/25 without further planned brokerage from Scottish Government.</p>	<p>Successful delivery of our programme of work and supporting actions to achieve a target of 3% recurring savings on baseline budgets £25m in 2024/25.</p> <p>Development and approval (Board &amp; Scottish Government) and initial phase of delivery of transformation schemes “Choices” to commence delivery against the additional 4% cost reduction £30m in 2024/25.</p> <p>Prepare contingency options to mitigate any delay or issues with delivery against both the 3% and 4% schemes.</p> <p>Both phases will align with the ‘Choices’ programme and Sg/NHS Board CE15 box grid.</p> <p>Given the financial challenging environment the IJB is also working within there is the potential for risk share in 2024/25, this will require close monitoring and working across the system to quantify and prepare mitigating actions to reduce.</p> <p>There is ongoing work with the CFO to develop and agree a Recovery Plan to support the IJB position, this will be considered by the IJB on 25 October.</p>						
14	 <p><b>MODERATE</b></p>	<p><b>Delivery of recurring financial balance over the medium-term</b></p> <p>There is a risk that NHS Fife will not deliver the financial improvement and sustainability programme actions required to ensure sustainable financial balance over the medium-term.</p>	<p>Our approach to financial recovery will be delivered by our new Re-form, Transform and Perform Framework (RPT).</p> <p>Recurring and sustained delivery of our programme of work and supporting actions to achieve a target of 3% recurring savings on baseline budgets £25m in 2024/25 into future years.</p> <p>Full delivery of transformation schemes “Choices” against the additional 4% cost reduction £30m required across all years of the plan.</p>	Above	High 25	Mod 16 by 31/03/27	◀▶	Director of Finance & Strategy	Finance, Performance & Resources (F,P&RC)

			<p>Trigger delivery in-year of contingency options to mitigate any delay or issues with delivery against both the 3% and 4% schemes.</p> <p>Work is ongoing at pace to enable Choices schemes to be agreed and planned during the latter half of 2024/25 to ensure they impact on the 2025/26 position.</p>						
15	 <p><b>MODERATE</b></p>	<p><b>Prioritisation &amp; Management of Capital funding</b></p> <p>There is a risk that lack of prioritisation and control around the utilisation of limited capital and staffing resources will affect our ability to deliver the PAMS and to support the developing Population Health and Wellbeing Strategy.</p>	<p>Ongoing governance through FCIG with capital plan being submitted through FP&amp;R and the Board.</p> <p>Annual Property and Asset Management Strategy (PAMS) updates to provide strategic direction now being replaced with the Whole System Initial Agreement development over the next 2 years.</p> <p>Rolling 5-year equipment programme and implementation of medical devices database.</p> <p>Implementation of medical devices database.</p> <p>Rolling 5-year Digital &amp; Information programme linked to D&amp;I strategy. Ongoing management of estate risks using the Estate Asset Management System (EAMS).</p> <p>Use of Business Case template to present new schemes for consideration. Future consideration/development of prioritisation investment tool.</p> <p>Fleet and sustainability requests will be linked to plans/strategy and presented through SBARs to Fife Capital Investment Group (FCIG).</p>	Within	Mod 12	Mod 8 (by 01/04/26 at next SG funding review)	◀▶	Director of Property & Asset Management	Finance, Performance & Resources (F,P&RC)

17	 <p><b>MODERATE</b></p>	<p><b>Cyber Resilience</b></p> <p>There is a risk that NHS Fife will be overcome by a targeted and sustained cyber attack that may impact the availability and / or integrity of digital and information required to operate a full health service.</p>	<p>The Network Information System Directive (NISD) and now Cyber Resilience Framework Audit has concluded for 2024. The compliance rate has increased to 93%, up from 77% from the previous year.</p> <p>The action plan for improvement will be presented to the Information Governance and Security Steering Group for review and progress tracking. The associated and linked Risks for Cyber Resilience will be reviewed in line with the Audit report.</p> <p>Management actions continue to be progressed.</p>	Above	High 16	Mod 12 by 30/09/24	◀▶	Director of Digital and Information	Clinical Governance (CGC)
18	 <p><b>MODERATE</b></p>	<p><b>Digital &amp; Information</b></p> <p>There is a risk that the organisation maybe unable to sustain the financial investment necessary to deliver its D&amp;I Strategy and as a result this will affect our ability to enable transformation across Health and Social Care and adversely impact on the availability of systems that support clinical services, in their treatment and management of patients.</p>	<p>A strategy completion report will be presented to the NHS Fife Board in November 2024.</p> <p>A revised Digital Framework is being created via the Digital Information Board and will be presented to governance committees for review and comment. The annual delivery plan for 2024/25 demonstrates an alignment to the RTP framework and continuation of required national and local digital programmes. A reduced level of activity to match the resource availability and limited levels of finance. (Capital and revenue)</p> <p>The revised framework will include, financial and workforce planning, to support the mitigation associated risk.</p>	Above	High 15	Mod 12 30/04/25	◀▶	Director of Digital and Information	Clinical Governance (CGC)
19	 <p><b>MODERATE</b></p>	<p><b>Implementation of Health and Care (Staffing) (Scotland) Act 2019 [HCSA]</b></p> <p>Taking account of ongoing preparatory work, there is a risk that the current supply and</p>	<p>NHS Fife Local HCSA Reference Group, with Fife wide, multi-disciplinary and staff representation, is now well established with monthly meetings.</p> <p>Seven SWOT Analyses have been presented so far both at local and national</p>	Within	Moderate 9	Mod 9 by 22/07/24	◀▶	Director of Workforce	Staff Governance (SGC)

		<p>availability of trained workforce nationally, will influence the level of compliance with HCSA requirements.</p> <p>While the consequences of not meeting full compliance have not been specified, this could result in additional Board monitoring / measures.</p>	<p>level, to share knowledge and increase awareness, with one remaining SWOT to be shared and logged with national team.</p> <p>HCSA resources continue to be shared widely within NHS Fife. Active MS Teams Channel used to share information outwith meetings.</p> <p>Quarterly progress returns submitted to SG and June 2024 SG engagement meeting supported assessment of reasonable assurance. Enhanced local engagement and reporting achieved via introduction of MS Forms to capture latest activity in respect of Act requirements. Feedback continues to inform local action plan.</p> <p>First quarterly high-cost agency return to 30/06/2024 submitted to SG and first quarterly internal report will be considered at September 2024 SGC meeting and NHS Fife Board meeting.</p> <p>HIS/SG/NHS Fife engagement meeting scheduled for September 2024 also supported reasonable level of assurance.</p> <p>Regular updates provided to APF, EDG and SGC and Fife NHS Board.</p> <p>This risk on the preparations for HCSA implementation is monitored via the NHS Fife HCSA Local Reference Group.</p>						
20	 <p><b>MODERATE</b></p>	<p><b>Reduced Capital Funding</b></p> <p>There is a risk that reduced capital funding will affect our ability (scale and pace) to deliver against the priorities set out in our Population Health and Wellbeing Strategy. It may also lead to a deterioration of our asset base including our built estate, digital</p>	<p>Use the capital funding we do receive wisely with requirements being prioritised in a logical manner (see Risk 15).</p> <p>Maintain open communication channels with Scottish Government to facilitate alignment around planning.</p>	Within	High 20	Mod 12 by 30/03/26	◀▶	Director of Property & Asset Management	Finance, Performance & Resources (F,P&RC)

		infrastructure, and medical equipment. There will be less opportunity to undertake change projects/programmes.							
21	 <p><b>MODERATE</b></p>	<p><b>Pandemic Risk</b></p> <p>There is a risk that a novel pandemic with widely disseminated transmission and significant morbidity and mortality may cause significant harm to those infected and cause widespread disruption to healthcare, supply chains, and social functioning.</p>	<p>An NHS Fife Pandemic Framework Group has been established to coordinate management of this risk, including consideration and implementation of measures to reduce the pressures and negative effects a pandemic would cause locally, and to act as a source of advice to the organisation and partners.</p> <p>Work is underway to collate lessons from the COVID-19 response and outputs of related inquiries and implement these locally.</p> <p>Preparation underway to deliver large-scale population immunity and immunisation campaigns.</p>	Within	High 20	High 20		Director of Public Health	Public Health & Wellbeing (PHWC)

**Risk Movement Key**

- ▲ Improved - Risk Decreased
- ◀▶ No Change
- ▼ Deteriorated - Risk Increased

## Assurance Principles

### Risk Assurance Principles:

#### Board

- Ensuring efficient, effective and accountable governance

#### Standing Committees of the Board

- Detailed scrutiny
- Providing assurance to Board
- Escalating key issues to the Board


#### Committee Agenda

- Agenda Items should relate to risk (where relevant)

#### Seek Assurance of Effectiveness of Risk Mitigation

- Relevance
- Proportionality
- Reliable
- Sufficient

#### Chairs Assurance Report

- Consider issues for disclosure
- Emergent risks or 
- Scrutiny or risk delegated to Committee

#### Year End Report

- Highlight change in movement of risks aligned to the Committee, including areas where there is no change
- Conclude on assurance of mitigation of risks
- Consider relevant reports for the workplan in the year ahead related to risks and concerns





### General Questions:

- Does the risk description fully explain the nature and impact of the risk?
- Do the current controls match the stated risk?
- How weak or strong are the controls? Are they both well-designed and effective i.e., implemented properly?
- Will further actions bring the risk down to the planned/target level?
- Does the assurance you receive tell you how controls are performing?
- Are we investing in areas of high risk instead of those that are already well-controlled?
- Do Committee papers identify risk clearly and explicitly link the strategic priorities and objectives/corporate risk?

### Specific Questions when analysing a risk delegated to the committee in detail:

- History of the risk (when was it opened) – has it moved towards target at any point?
- Is there a valid reason given for the current score?
- Is the target score:
  - In line with the organisation's defined risk appetite?
  - Realistic/achievable or does the risk require to be tolerated at a higher level?
  - Sensible/worthwhile?
- Is there an appropriate split between:
  - Controls – processes already in place which take the score down from its initial/inherent position to where it is now?
  - Actions – planned initiatives which should take it from its current to target?
  - Assurances – which monitor the application of controls/actions?
- Assessing Controls
  - Are the controls "Key" i.e., are they what actually reduces the risk to its current level (not an extensive list of processes which happen but don't actually have any substantive impact)?
  - Overall, do the controls look as if they are applying the level of risk mitigation stated?
  - Is their adequacy assessed by the risk owner? If so, is it reasonable based on the evidence provided?
- Assessing Actions – as controls but accepting that there is necessarily more uncertainty
  - Are they on track to be delivered?
  - Are the actions achievable or does the necessary investment outweigh the benefit of reducing the risk?
  - Are they likely to be sufficient to bring the risk down to the target score?
- Assess Assurances:
  - Do they actually relate to the listed controls and actions (surprisingly often they don't)?
  - Do they provide relevant, reliable and sufficient evidence either individually or in composite?
  - Do the assurance sources listed actually provide a conclusion on whether:
    - the control is working
    - action is being implemented
    - the risk is being mitigated effectively overall (e.g. performance reports look at the overall objective which is separate from assurances over individual controls) and is on course to achieve the target level
  - What level of assurance can be given or can be concluded and how does this compare to the required level of defence (commensurate with the nature or scale of the risk):
    - 1<sup>st</sup> line – management/performance/data trends?
    - 2<sup>nd</sup> line – oversight / compliance / audits?
    - 3<sup>rd</sup> line – internal audit and/or external audit reports/external assessments?

### Level of Assurance:

Significant Assurance	Moderate Assurance	Limited Assurance	No Assurance
			

## Risk Assessment Matrix

A risk is assessed as **Likelihood x Consequence**

**Likelihood** is assessed as Remote, Unlikely, Possible, Likely or Almost Certain

**Figure 1 Likelihood Definitions**

Descriptor	Remote	Unlikely	Possible	Likely	Almost Certain
Likelihood	Can't believe this event would happen – will only happen in exceptional circumstances (5-10 years)	Not expected to happen, but definite potential exists – unlikely to occur (2-5 years)	May occur occasionally, has happened before on occasions – reasonable chance of occurring (annually)	Strong possibility that this could occur – likely to occur (quarterly)	This is expected to occur frequently / in most circumstances – more likely to occur than not (daily / weekly / monthly)

**Consequence** is assessed as, Negligible, Minor, Moderate, Major or Extreme.

**Risk Level** is determined using the 5 x 5 matrix below based on the AUS/NZ Standard. The risk levels are:

- Very Low Risk (VLR)
- Low Risk (LR)
- Moderate Risk (MR)
- High Risk (HR)

**Figure 2 Risk Matrix**

<u>Likelihood</u>	<u>Consequence</u>				
	<b>Negligible 1</b>	<b>Minor 2</b>	<b>Moderate 3</b>	<b>Major 4</b>	<b>Extreme 5</b>
<b>Almost certain 5</b>	LR 5	MR 10	HR 15	HR 20	HR 25
<b>Likely 4</b>	LR 4	MR 8	MR 12	HR 16	HR 20
<b>Possible 3</b>	VLR 3	LR 6	MR 9	MR 12	HR 15
<b>Unlikely 2</b>	VLR 2	LR 4	LR 6	MR 8	MR 10
<b>Remote 1</b>	VLR 1	VLR 2	VLR 3	LR 4	LR 5

Risks once identified, must be categorised against the following consequence definitions



Figure 3 Consequence Definitions

Descriptor	Negligible	Minor	Moderate	Major	Extreme
<b>Patient Experience</b>	Reduced quality of patient experience / clinical outcome not directly related to delivery of clinical care.	Unsatisfactory patient experience / clinical outcome <b>directly related to care provision – readily resolvable.</b>	Unsatisfactory patient experience / clinical outcome, short term effects – expect recovery <1wk.	Unsatisfactory patient experience / clinical outcome, long term effects – expect recovery - >1wk.	Unsatisfactory patient experience / clinical outcome, continued ongoing long term effects.
<b>Objectives / Project</b>	Barely noticeable reduction in scope / quality / schedule.	Minor reduction in scope / quality / schedule.	Reduction in scope or quality, project objectives or schedule.	Significant project over-run.	Inability to meet project objectives, reputation of the organisation seriously damaged.
<b>Injury (Physical and psychological) to patient / visitor / staff.</b>	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required.	Agency reportable, e.g. Police (violent and aggressive acts). Significant injury requiring medical treatment and/or counselling.	Major injuries/long term incapacity or disability (loss of limb) requiring medical treatment and/or counselling.	Incident leading to death or major permanent incapacity.
<b>Complaints / Claims</b>	Locally resolved verbal complaint.	Justified written complaint peripheral to clinical care.	Below excess claim. Justified complaint involving lack of appropriate care.	Claim above excess level. Multiple justified complaints.	Multiple claims or single major claim/. Complex justified complaint
<b>Service / Business Interruption</b>	Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service.	Short term disruption to service with minor impact on patient care.	Some disruption in service with unacceptable impact on patient care. Temporary loss of ability to provide service.	Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked.	Permanent loss of core service or facility. Disruption to facility leading to significant "knock on" effect
<b>Staffing and Competence</b>	Short term low staffing level temporarily reduces service quality (less than 1 day). Short term low staffing level (>1 day), where there is no disruption to patient care.	Ongoing low staffing level reduces service quality.  <b>Minor error due to ineffective training / implementation of training.</b>	Late delivery of key objective / service due to lack of staff. <b>Moderate error</b> due to ineffective training / implementation of training. Ongoing problems with staffing levels.	Uncertain delivery of key objective / service due to lack of staff.  <b>Major error</b> due to ineffective training / implementation of training.	Non-delivery of key objective / service due to lack of staff. Loss of key staff. <b>Critical error</b> due to ineffective training / implementation of training.
<b>Financial (including damage / loss / fraud)</b>	Negligible organisational / personal financial loss (£<10k)	Minor organisational / personal financial loss (£10k-100k)	Significant organisational / personal financial loss (£100k-250k)	Major organisational / personal financial loss (£250 k-1m)	Severe organisational / personal financial loss (£>1m)
<b>Inspection / Audit</b>	Small number of recommendations which focus on minor quality improvement issues.	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan.	Enforcement action.  Low rating  Critical report.	Prosecution.  Zero rating  Severely critical report.
<b>Adverse Publicity / Reputation</b>	Rumours, no media coverage.  Little effect on staff morale.	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale / public attitudes.	Local media – long-term adverse publicity.  Significant effect on staff morale and public perception of the organisation.	National media / adverse publicity, less than 3 days.  Public confidence in the organisation undermined Use of services affected	National / International media / adverse publicity, more than 3 days. MSP / MP concern (Questions in Parliament). Court Enforcement Public Enquiry, FAI

Based on NHS Quality Improvement Scotland (February 2008) sourced AS/NZS 4360:2004: Making it Work: (2004) and Healthcare Improvement Scotland, Learning from Adverse Events: A national framework (4<sup>th</sup> Edition) (December 2019)

**Meeting:** Audit and Risk Committee  
**Meeting date:** 12 December 2024  
**Title:** Risk Management Framework  
**Responsible Executive:** Margo McGurk, Director of Finance & Strategy  
**Report Author:** Dr Shirley-Anne Savage, Associate Director for Risk and Professional Standards

## Executive Summary

- The updated Risk Management Framework was approved by the NHS Fife Board in September 2023. The intention was to also update the related Risk Register / Risk Assessment Policy GP/R7. In re-drafting the Policy, there was considerable duplication with the Framework and following consultation with Internal Audit, and other key stakeholders, it was determined that a separate policy was not required as key elements of the policy not already covered could be added to the Framework. The Framework has now been updated to include these elements.
- It was also agreed to await the review and updating of the Board's Risk Appetite before finalising the Framework. At the Board meeting on the 26 November 2024 an updated Risk Appetite was approved.
- The revised Framework was presented to EDG for discussion and approved on the 5 December 2024.
- It is brought to the Audit and Risk Committee for endorsement.

## 1 Purpose

### **This report is presented for:**

- Discussion and Endorsement

### **This report relates to:**

- Local policy/ framework

### **This report aligns to the following NHSScotland quality ambition(s):**

- Safe
- Effective
- Person Centred
- NHS Fife Board Strategic Priorities
  - To Improve Quality of Health & Care Services
  - To Deliver Value and Sustainability
  - To Improve Health & Wellbeing

- To Improve Staff Experience and Wellbeing

## 2 Report summary

### 2.1 Situation

The updated Risk Management Framework was approved by the NHS Fife Board in September 2023. The intention was to also update the related Risk Register / Risk Assessment Policy GP/R7. In re-drafting the Policy, there was considerable duplication with the Framework and following consultation with Internal Audit, and other key stakeholders, it was determined that a separate policy was not required as key elements of the policy not already covered could be added to the Framework, thus avoiding multiple sources of the same guidance. This approach was endorsed by the Audit and Risk Committee on 13 December 2023.

Concurrently there was a requirement to review and update the Board's risk appetite. It was therefore agreed to finalise the Framework once the updated appetite was agreed. At the Board meeting on the 26 November 2024 an updated Risk Appetite was approved.

The revised Framework is now presented to the Committee for discussion and endorsement.

### 2.2 Background

A key deliverable of the risk management improvement programme agreed in 2022, was to put in place a framework that provides assurance to the Board that there is an effective risk management process to support delivery of the strategic priorities and enhances our risk management approach.

### 2.3 Assessment

The updated Framework reaffirms the Board's commitment to embed an effective risk management framework and culture to support the achievement of the strategic priorities, and the ambitions of the Population Health and Wellbeing Strategy. The update reflects the following developments:

- the Board Risk Appetite and Statement have been reviewed and updated
- a Risks & Opportunities Group has been established
- a Strategic Risk Profile set in the context of the strategic priorities was agreed
- a risk dashboard has been introduced to the IPQR
- a refreshed Corporate Risk Register replaced the Board Assurance Framework
- the approach to assurance reporting has evolved to include:
  - agreement on 'levels of assurance'
  - the formal introduction of a set of Assurance Principles as part of the Corporate Risk Register papers provided to Committees which include the 'levels of assurance'

- deep dives commissioned on selected corporate risks and scheduled on the work plans of the governance committee to which the risks are aligned.

The Framework and the Board’s risk management arrangements will be subject to review and iteration every 2 years or by exception, more frequently, to ensure that the core framework remains current, reflects local and national developments and priorities, and drives continuous improvement in risk management across the organisation.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		x		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

Effective risk management will support the achievement of the quality ambitions of safe, effective, person centred care.

### 2.3.2 Workforce

All staff in the organisation have a responsibility for identifying risk. They will be supported to do so through education and training relevant to their role and responsibilities.

### 2.3.3 Financial

There are no direct financial implications linked to this paper.

### 2.3.4 Risk Assessment / Management

The report provides summarises progress to update a key risk management document.

### 2.3.5 Equality and Diversity, including health inequalities and Anchor Institution ambitions

An Equality and Diversity (E&D) assessment has not been conducted but there are not considered to be direct E&D implications associated with this report.

### 2.3.6 Climate Emergency & Sustainability Impact

Climate emergency and sustainability impact are not directly relevant to this report.

### **2.3.7 Communication, involvement, engagement and consultation**

Engagement on the components which form the updated Framework, has included the Director of Digital & Information, the Director of Finance and Strategy, EDG, the Risks and Opportunities Group, and through discussion within the committees of the Board.

### **2.3.8 Route to the Meeting**

- Margo McGurk, Director of Finance and Strategy on 2 December 2024
- Executive Directors' Group on 5 December 2024

## **2.4 Recommendation**

- The Committee is asked to discuss and endorse the Risk Management Framework for formal approval at the NHS Fife Board

## **3 List of appendices**

The following appendices are included with this report:

- Appendix 1, Draft revised Risk Management Framework 2024-2026

### **Report Contact**

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Draft Revised

# Risk Management Framework

2024 - 2026

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**Published 2024**

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## 1. Executive Introduction

The delivery of healthcare is complex and we operate in a context that inevitably requires the daily management of emerging and inherent risk. It is not always possible or necessary to eliminate all risks. There are occasions where we need to tolerate or take risks in order to develop and improve our care and services and the environment in which we work.

This Framework sets out our ambition, to create a culture which supports each of us, whatever our role, to manage risk in our daily work. In this way, Risk Management is Everyone's Business.

**Carol Potter**

Chief Executive NHS Fife

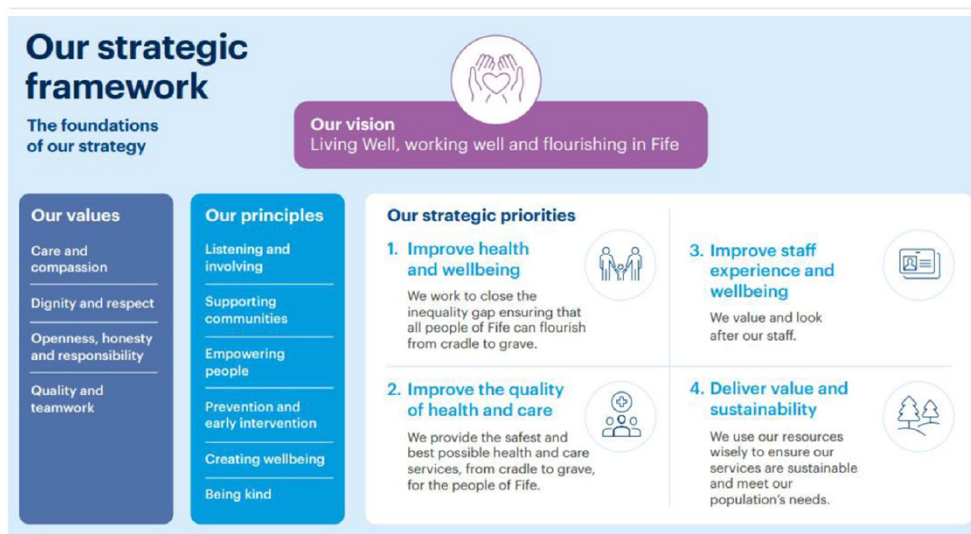


## 2. Purpose

- 2.1 The purpose of this Risk Management Framework is to promote awareness of risk, and set out the approach, objectives, responsibilities and operational arrangements for risk management in NHS Fife.
- 2.2 The Framework affirms our commitment to risk management and to integrating this more fully within the culture, practice, and values of the organisation.
- 2.3 The Board has a legal duty under the Health and Safety at Work Act 1974, to ensure, as far as is reasonably practicable, the health, safety and welfare of all employees. Compliance with the legislation includes duties towards patients, members of the public, contractors, and other people who use hospital premises. These duties, and the concept of risk management, are implicit in the Act and subsequent UK Health and Safety Regulations and are reflected in NHS Fife Policies.
- 2.4 The Framework is aligned to the NHS Fife Population Health and Wellbeing Strategy 2023-28 and as such, recognises the level of uncertainty we are living with and the need to be agile and adaptable.
- 2.5 Together, these provide us with a framework to support the activities of the Board as we consider how to redesign services fit for the future and deliver against the four strategic priorities set out in Figure 1 below.

Figure 1

### Population Health & Wellbeing Strategy 2023-2028



## 2.6 Framework Review

The Framework and the Board risk management arrangements will be reviewed every 2 years, with an update provided to the Audit and Risk Committee and the Board. This will ensure that the core framework remains current, reflects local and national developments and priorities, and drives continuous improvement in risk management across the Board.

## 2.7 What is Risk?

Risk can be defined as uncertainty of outcome, whether positive opportunity or negative threat. It is measured in terms of the likelihood and impact or consequence of the risk materialising.

## 2.8 Risks and Issues

Risks and issues can often get confused. It is important to differentiate between the two.

Risks and Issues are both unplanned events that could impact on our objectives.

A useful way of remembering the difference is:

**A Risk** is an 'uncertain future event', (or set of events), which, should it occur, will have an effect on the organisation's ability to achieve its objectives (The Orange Book, 2023). An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats (ISO, 31000, 2018).

**A Risk** is therefore something that hasn't happened yet but has a likelihood or probability of occurring.

**An Issue** is something that is already happening. It was not planned and should be addressed as part of day-to-day management and governance processes.

In other words, **risks** are potential future problems and **issues** are current problems, i.e. already present<sup>1</sup>. It is important to remember these differences when initially considering if something is or is not a risk.

If a risk materialises, it becomes an issue and should be managed appropriately.

Example:

**Project risk:** Critical resource might leave a project. Action: Identify potential problems, assess, evaluate, monitor and **choose** what action to take based e.g. on the probability of it happening and how soon it might occur. i.e. treat, tolerate, transfer or terminate.

**Project issue:** Team member resigns. Action: Problem resolution & decision making. You have to act.

**As a principle**, a risk that becomes an issue should result in the risk being closed and an issue being raised and addressed. If on handling the issue, a risk remains, consider creating a new risk; this can be linked to the original risk to provide evidence of continuity.

In the context of a project, of course there could be the potential for issues to recur. In this case you would not necessarily need to close the risk. This is distinct from a situation in which an issue is context specific "one off" where a risk could reasonably be closed.

Appendix 1 contains a glossary of terms used in this document.

## 2.9 What is Risk Management?

Risk Management is the co-ordinated activities designed and operated to respond to and manage risk and exercise internal control within an organisation (The Orange Book, 2023). It is a continuous and evolving process which aims to reduce risk to organisations.

## 2.10 Why is Risk Management Important?

Effective risk management can help to:

- Ensure that decision making is informed and risk-based, to maximise the likelihood of achieving key strategic objectives and effective prioritisation of resources
- Ensure compliance with legislation, regulations, and other mandatory obligations

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<sup>1</sup> <https://simplicable.com/new/risk-vs-issue> 18/06/20

- Provide assurance to internal and external governance bodies that risks are being effectively controlled
- Prevent injury and / or harm, damage and losses
- Support organisational resilience
- Protect the assets and reputation of the organisation
- Achieve effective and efficient processes throughout the organisation
- Anticipate and respond to changing political, environmental, social, technology and legislative requirements and / or opportunities

## 2.11 Risk Management - Everyone's Business

This Framework applies to the management of risk across all areas of NHS Fife including domiciliary settings, and to all employees of NHS Fife. It also applies to permanent and temporary contractors, honorary contract holders, students, bank, agency and volunteer staff, and by agreement, independent GP, Dental, Pharmacy and Optometry contractors working within, or on behalf of NHS Fife.





It is important that all staff are involved in managing risk, regardless of their role and where they work. Examples of how each of us can manage risk are set out in Figure 2 below.

Figure 2



## 3. Framework Overview

Our approach to risk management is summarised below.

<p><b>Objectives</b></p> 	<ul style="list-style-type: none"> <li>• The safety of patients, staff and others coming into our services is protected</li> <li>• Risks to the delivery of our strategic priorities and organisational objectives are identified and mitigated through proactive action planning.</li> <li>• Risk management supports organisational change and service development when considering opportunities and risks to improve services.</li> <li>• A proactive approach to risk management as an effective mechanism for managing risks through effective action plans.</li> <li>• Board organisational risk appetite will be agreed and communicated annually.</li> </ul>
<p><b>Enablers</b></p> 	<ul style="list-style-type: none"> <li>• Ensure visibility of the organisation’s risk profile, to enable effective and informed decision making.</li> <li>• Ensure a structured and consistent approach to managing risk across all health and care settings and governance structures.</li> <li>• The risk management system facilitates the consistent recording, management and escalation of risk, across the organisation.</li> <li>• Clear systems and processes will be in place for the escalation or risks.</li> <li>• Effective risk management will be used to support decision making, planning and performance arrangements, by providing appropriate information for assurance to the respective management and governance structures.</li> <li>• Risks will be aligned as appropriate to groups and governance committees and will feature routinely on agendas.</li> </ul> <p>The Risk Management Team will:</p> <ul style="list-style-type: none"> <li>• Provide organisational support to ensure effective risk management practice.</li> <li>• Deliver training and educational resources to support staff to fulfil their roles &amp; responsibilities in relation the risk management.</li> </ul>
<p><b>Our Values</b></p> 	<ul style="list-style-type: none"> <li>• We will deliver our risk management responsibilities within the context of our core values of; Care and Compassion, Dignity and Respect, Openness, Honesty and Responsibility, Quality and Teamwork.</li> </ul>
<p><b>Assurance and Strategic Oversight</b></p> 	<ul style="list-style-type: none"> <li>• The Board will set an effective risk management culture.</li> <li>• The Director of Finance and Strategy will provide executive leadership for risk management arrangements on behalf of the Chief Executive. From 1 April 2025 this role will move to the Medical Director.</li> <li>• The Executive Directors will deliver their responsibilities for ensuring effective risk management through active engagement in the process and reporting through the governance committees and NHS Fife Board.</li> <li>• Governance Committees will deliver their responsibilities in relation to effective scrutiny of risk management in their areas of focus.</li> <li>• The Audit and Risk Committee (A&amp;RC) will support the Board by, reviewing and advising on the effectiveness of the risk identification, management and reporting processes.</li> </ul>

## 4. Scope

4.1 This Framework applies to the management of risks, including clinical, environmental, financial, and workforce across all areas of NHS Fife service provision.

## 5. Strategic Context

5.1 The diagram below summarises:

- The national documents which influence our approach to risk management;
- NHS Fife strategies with which this Framework and its delivery must align; and
- Local policies and procedures which align to the Framework.

National Policy & Strategy	Board Strategy, Codes & Plans	Local Policy & Procedures
<ul style="list-style-type: none"> <li>• Health &amp; Safety at Work etc Act 1974</li> <li>• NHS Quality Improvement Scotland National standards: Clinical Governance and Risk Management: Oct 2005</li> <li>• The Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) 1995 (as amended 2013)</li> <li>• Scottish Government (SG) The Healthcare Quality Strategy for Scotland, May 2010</li> <li>• Scottish Capital Investment Manual, 2017</li> <li>• SG Audit &amp; Assurance Handbook, 2018</li> <li>• NHS Scotland Blueprint for Good Governance DL 2022) 02</li> <li>• HIS Learning from Adverse Events through Reporting and Review: A National Framework for NHS Scotland, Dec 2019, 4<sup>th</sup> edition</li> <li>• NHS Scotland Whistleblowing Standards, April 2021</li> <li>• NHS Recovery Plan 2021-2026</li> <li>• National Workforce Strategy for Health and Social Care in Scotland(2022)</li> <li>• SG Delivering Value Based Health &amp; Care - A Vision For Scotland Realistic Medicine, Dec 2022</li> <li>• NHS Scotland Climate Emergency and Sustainability Strategy, 2022-26</li> </ul>	<ul style="list-style-type: none"> <li>• NHS Fife Population Health and Wellbeing Strategy 2023-28</li> <li>• NHS Fife Medium-Term Financial Plan 2023-26</li> <li>• NHS Fife Property and Assets Strategy 2023-26</li> <li>• NHS Digital and Information Strategy 2019-2024</li> <li>• NHS Clinical Governance Strategic Framework 2022-2025</li> <li>• NHS Fife Workforce Plan 2022-2025</li> <li>• NHS Fife Greenspace Strategy 2023</li> <li>• NHS Fife Code of Corporate Governance</li> <li>• NHS Fife Annual Delivery Plans</li> <li>• Plan for Fife 2017-2027</li> </ul>	<ul style="list-style-type: none"> <li>• NHS Fife Complaints Handling Procedure, 2021</li> <li>• NHS Fife Corporate Business Continuity Policy, May 2021</li> <li>• NHS Fife Data Protection &amp; Confidentiality Policy GP/15</li> <li>• NHS Fife Health &amp; Safety Policy GP/H1, 2022</li> <li>• NHS Fife Infection Control Policy, GP/18, 2022</li> <li>• NHS Fife Safe &amp; Secure use of Medicines Policy &amp; Procedure V10, April 2023</li> <li>• NHS Fife Adverse Events Policy GP/19, 2023</li> <li>• Fife Council Risk Management Policy and Strategy ,2023</li> <li>• Fife Integration Joint Board Risk Management Policy and Strategy 2023</li> </ul>

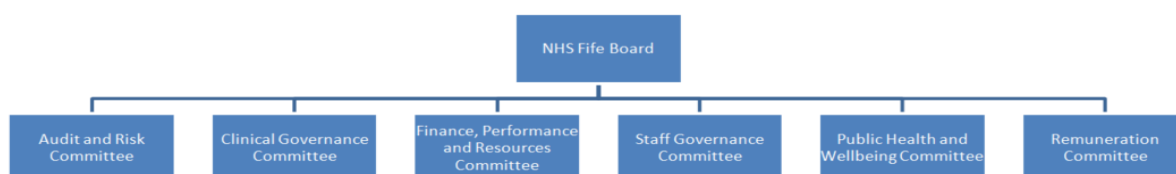
## 6. Governance Structures

6.1 This section sets out the oversight, assurance and monitoring from the point of service delivery to NHS Fife Board.

6.2 Fife NHS Board is responsible for the management of risk in NHS Fife. There are a number of structures below the Board which have responsibility to assess and monitor the risk management systems and processes and initiate action and improvements when required.

6.3 The Corporate Governance Structure within NHS Fife includes the NHS Fife Audit and Risk Committee (ARC), a key governance committee of the Board as set out in Figure 3 below.

Figure 3 NHS Fife Governance Structure



- 6.4 The Board is responsible for approving the Risk Management Framework and setting the risk appetite. Ultimately, the Board must ensure that the risk register reflects the risks the organisation is facing and that there is an effective system of risk management in place.
- 6.5 The ARC's responsibility is to provide the Board with assurance on the effectiveness of risk management arrangements and confirm that a sound system of internal control is maintained.
- 6.6 Operationally, the Executive Directors' Group (EDG) acts as a point of escalation for risk management related matters as required through the internal management structure.
- 6.7 The Chief Executive, as Accountable Officer of NHS Fife, and the Director of Finance & Strategy hold various professional responsibilities for ensuring effective organisational risk management arrangements. EDG is the forum for broader discussion and decision-making, in relation to risks to the delivery of the Board's strategic priorities and key operational, clinical and performance issues, and is a key conduit for overall assurance reporting to the standing committees and the Board. From 1 April 2025 this role will move to the Medical Director.
- 6.7 A Risks and Opportunities Group (ROG) has been created which has delegated responsibility from the EDG to progress the activities required to support and embed an effective risk management framework and culture through NHS Fife. The ROG will periodically report to EDG and the ARC, making recommendations, providing considerations, or in the form of escalation if required as part of its role and remit. The Group's Terms of Reference are set out in Appendix 2.
- 6.8 The purpose of the ARC and linkages to the Framework are summarised below:

Purpose	Where this framework aligns with the ARC role in relation to risk management
<p>1</p> <p>The main objective of the Audit and Risk Committee is to support the Accountable Officer and Fife NHS Board in meeting their assurance needs.</p>	<p>Supporting the Chief Executive/Accountable Officer and Fife NHS Board formulate their assurance needs, through the implementation of a well-designed assurance framework, with regard to risk management, governance and internal control.</p> <p>The committee reviews and approves the Internal Audit Strategic and Annual Plans having assessed their appropriateness to give reasonable assurance on the whole of risk control and governance. The committee work plan is designed to capture key planning for audit and risk activity with reports scheduled.</p>
<p>2</p> <p>Review and challenge constructively the assurances that have been provided as to whether their scope meets the needs of the Accountable Officer and Fife Health Board;</p> <p>Review the reliability and integrity of those assurances including the evidence base.</p>	<ul style="list-style-type: none"> <li>• Promote Committee Assurance Principles.</li> <li>• Propose or endorse modifications to risk management processes to embed the Principles and enhance assurance lines.</li> </ul>

3	Draw attention to weaknesses in systems of risk management, governance and internal control, and making suggestions as to how those weaknesses can be addressed.	<ul style="list-style-type: none"> <li>• Consider strengths and areas of weakness highlighted in internal audit reports including Internal Controls Evaluation (ICE).</li> <li>• Review the effectiveness of risk management arrangements including risk identification and mitigation.</li> <li>• Consider risk management KPI data presented for assurance.</li> </ul>
4	The Committee is charged with ensuring that there is an appropriate publicised Risk Management Framework with all roles identified and fulfilled.	<p>The Framework:</p> <ul style="list-style-type: none"> <li>• Promotes a positive risk management culture where risk is everyone’s business.</li> <li>• Describes enablers to effective risk management.</li> </ul> <p><b>Sets out -</b></p> <ul style="list-style-type: none"> <li>• the approach to managing risk</li> <li>• governance structures and terms of reference</li> <li>• risk management roles and responsibilities</li> <li>• risk appetite and how this is applied</li> <li>• an overview of risk management activities and how these support an effective system of risk management.</li> </ul>
5	<p>To discharge its advisory role to the Board and Chief Executive/Accountable Officer, and to inform its assessment on the effectiveness of corporate governance, internal control and risk management, the Committee shall:</p> <ul style="list-style-type: none"> <li>• seek assurance on the overall system of risk management for all risks and risks pertinent to its core functions; including the adequacy &amp; effectiveness of the Corporate Risk Register, in terms of coverage of key risks to the Board, identification of gaps in control and assurance and the impact of changes to the risk register on the assurance needs of the Board and the Accountable Officer.</li> </ul>	<p>A Corporate Risk Register is in place. The risks are:</p> <ul style="list-style-type: none"> <li>• mapped to the strategic priorities</li> <li>• aligned to governance committees for scrutiny and assurance</li> <li>• regularly reviewed</li> <li>• reported bi-monthly to the committees</li> <li>• considered at EDG &amp; Risks &amp; Opportunities Group</li> <li>• subjected to assessment against the Assurance Principles to determine the level of assurance provided</li> <li>• an annual risk management report will be assessed to confirm if there have been adequate and effective risk management arrangements throughout the year.</li> </ul>
6	To escalate any issues of concern to the NHS Fife Board.	The Agenda contains ‘Items for Escalation’ by the Committee Chairperson.

6.9 Partnership Working: Integration Framework and Services Delegated to the Integration Joint Board

To ensure there is clarity around governance, it is important that this framework sets out the risk management arrangements for services which are delegated to the Integration Joint Board (IJB).



The IJB Risk Management Strategy and Policy, 2023 sets out details of the risk management approach and vision, how the strategy will be implemented and expectations in relation risk leadership and accountability, resourcing risk management training, learning and development, monitoring and reporting and communication.

Management of operational clinical risks associated with services delegated to the IJB rests with NHS Fife Board. The systems and processes through the stated governance structure support effective management and mitigation of these risks. Risks with the potential to impact more than one partner will be identified for inclusion in one or more of the following risk registers: NHS Fife Corporate Risk Register; IJB Strategic Risk Register.

Any such emerging operational risks should be submitted to the NHS Fife Executive Directors' Group for consideration and decision on action and/or addition to the NHS Fife Corporate Risk Register. Any potential IJB Strategic Risks will be considered through the IJB Governance routes via the IJB Chief Officer.

As a partner body of the IJB, NHS Fife will continue to operate appropriate risk management processes for operational risk. The NHS Board Chief Executive will ensure that processes are in place to alert the IJB Chief Officer to any strategic or operational risks which are likely to impact on the delivery of the IJB's Strategic Plan.

As a partner body of the IJB, NHS Fife will provide formal assurance to the IJB on the operation of its risk management arrangements and of the adequacy and effectiveness of key controls which could impact on the achievement of IJB objectives. The IJB will provide reciprocal assurance, including to other IJBs in their capacity as being responsible for hosted services, on its risk management processes and key controls.

NHS Fife risk management staff will participate in meetings as necessary to consider the implications of risks and provide relevant advice. Additionally, the Board will routinely seek to identify any residual risks and liabilities that it retains in relation to the activities under the direction of the IJB.

## 7. Risk Management Approach

7.1 This section sets out the key components of our approach to risk management:

- Risk Process
- Risk Definitions
- Risk Registers
- Risk Escalation
- Risk Appetite

7.2 The NHS Fife methodology for achieving the objectives set out in section 3 above, is detailed below.

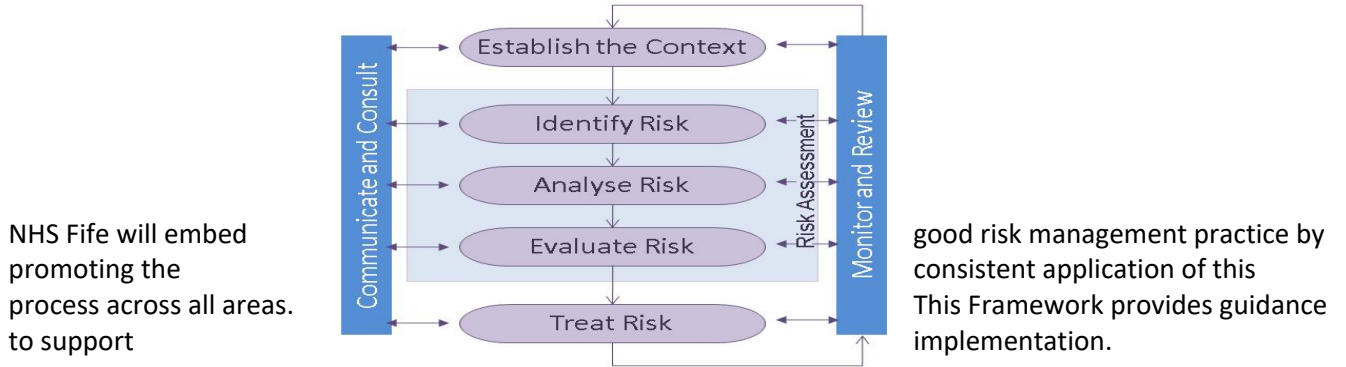
7.3 [Risk Process](#)

Risk management is a dynamic process. Regular, timely review of existing risks and monitoring of the environment is necessary to ensure the risks captured reflect the current profile of the organisation.

The steps to identifying and responding to risks are summarised in Figure 4 (Australia/New Zealand Risk Management Standard, AS/NZS 4360:2004).



Figure 4



NHS Fife will embed promoting the process across all areas. to support

good risk management practice by consistent application of this This Framework provides guidance implementation.

**Establish the Context**

It is important to be clear about the context in which a risk is being generated. This should relate in some way to the achievement of objectives. It could be specific e.g. to delivery of a project, or generic and applicable across the organisation e.g. patient safety or related to the safe completion of a task.

**Identify Risk**

This is the means by which we identify where, when, why, and how an event could arise that could impact on the achievement of our objectives. Risks will be identified at all levels of the organisation e.g. wards, departments, directorates, divisions and services.

There are many ways to identify risks. These include considering what has happened in the past and anticipating what might occur in the future. Ideally, risk identification should be a collaborative exercise and involve staff with understanding and experience of the topic or the area of service delivery under review. It may be helpful to ‘sense check’ the meaning of the risk with someone unfamiliar with the topic.

Examples of opportunities to identify risks are set out below.

Risk Identification Opportunities	
<ul style="list-style-type: none"> <li>• Day to day business / clinical practice</li> <li>• Safety Huddles</li> <li>• Team meetings</li> <li>• Development sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Risk workshops</li> <li>• Risk surveys</li> <li>• Reviews of existing risks</li> <li>• Management meetings</li> </ul>

Risks may be identified from internal and external sources including those set out below.

Information Sources	
<ul style="list-style-type: none"> <li>• adverse event reviews</li> <li>• audits - internal/clinical</li> <li>• benchmarking</li> <li>• business cases</li> <li>• changes to guidelines, legislation, regulation, standards</li> <li>• claims / complaints data</li> <li>• internal / external reviews / investigations/ inspections</li> <li>• horizon scanning</li> <li>• media interest</li> </ul>	<ul style="list-style-type: none"> <li>• risk assessments</li> <li>• safety alerts</li> <li>• service change</li> <li>• staff surveys</li> <li>• patient/ user feedback</li> <li>• planning &amp; performance processes</li> <li>• project plans</li> <li>• training needs analyses</li> <li>• walkrounds</li> <li>• workforce data</li> </ul>

## Risk Definitions

**Corporate risk**- A corporate risk can be defined as something which can either affect, or be created by, our decisions about strategy e.g. internal and external events that may make it challenging for the organisation to achieve its objectives i.e. threatens our ability to deliver the Population Health and Wellbeing Strategy.

In NHS Fife, these risks are mapped to one of the four strategic priorities and form our strategic risk profile. The corporate risks are in a state of continuous review throughout the financial year. The Executive Directors maintain a regular focus on the risks through the EDG standing agenda item on Quality, Performance, Workforce & Risk, specifically in preparation for governance committees, and opportunistically through horizon scanning for new or emerging risks or through recommendation from ROG.

**Operational risk** - An operational risk is one which may impact on our internal day-to-day business. These risks are identified, agreed and managed by the Executive Directors and their teams and escalated as necessary. These often present due to flawed or failed processes, policies, systems or events that disrupt operational delivery of services.

**Project / Programme risks** - These are risks identified to the delivery of a specific organisational project or programme. Before the project or programme starts, the risks should be recorded on the aligned risk register and periodically reported to the Project Management Office (PMO), project or programme board.

### Risk Description

Having identified a risk and agreed its category, it is vital to describe it clearly and concisely to ensure that the risk, its causes and potential consequences are easily understood. This is important when designing and implementing controls and actions to manage and mitigate the risk, and determining their effectiveness. Descriptions should include the **risk, cause, and effect**. When wording the risk, you should phrase as follows:

**“There is a risk that** [something could happen], **because of** [explain why this could happen], **resulting in** [describe the consequence and /or impact on objective if the risk happens]” . e.g.

“There is a risk that the Board may not have sufficient staffing resource to safely operate clinical services due to recruitment and retention challenges, which could result in an increase in adverse events and loss of public confidence.

### Analyse and Evaluate

Risks are analysed by combining the likelihood of the risk happening with the consequence of it materialising. This gives us the risk score. It is important to assess and evaluate the risk consistently. To do so, we use the NHS HIS risk assessment matrices shown at Appendix 3. Using a standardised tool like this adds objectivity to the process. The matrices include a **5x5 scoring mechanism** for likelihood and consequence which identifies a score between 1 (1x1) at the lowest and 25 (5x5) at the highest, as well as a range of **consequence descriptors**.

This approach is used to assess the initial, current and target risk scores.

**Initial Risk Score:** The score when the risk is first identified with no controls or mitigations in place sometimes called the original, inherent or gross score. This score will **not change** for the lifetime of the risk and is used as a benchmark against which we measure the effect of risk management actions. The score should be assessed before considering any control measures or actions.

**Current Risk Score:** The score with controls and mitigations in place, sometimes called the residual or net score. This score must be regularly reviewed and assessed to determine the effectiveness of actions to reduce it towards the planned target. This score may determine if the risk should be considered for escalation.

**Target Risk Score:** The planned score expected after controls and mitigating actions have been fully implemented. This score should reflect our risk appetite i.e. the amount and type of risk NHS Fife is willing to accept. Controls and actions should aim to reduce the score towards target and within appetite.

### Risk Assessment

If you require to carry out a health and safety related risk assessment of e.g. a task or an activity, such as working at height, handling chemicals, dealing with waste, and the issues/problems/hazards associated with the work environment and the activities undertaken there, you should follow the procedure for a General Risk Assessment and record your findings on the NHS Fife 'Record of General Risk Assessment'. You should involve appropriate colleagues in this activity. The procedure and the relevant form are on Staff link.

For operational or corporate risks, the risk should initially be scoped out on the NHS Fife Risk Scoping Template. The form is available on Staff Link. We recommend that this is a collaborative process involving colleagues with subject matter expertise to develop the risk and reach consensus on its content and risk ownership **before** entering in the risk management system.

**Risk Likelihood (L):** Likelihood of a risk occurring is considered with current mitigation measures in place, not the proposed mitigation measures. The likelihood ranges from a score of **1** (Rare) to **5** (Almost certain).

**Risk Consequence (C):** The consequence of the risk is assessed against the following descriptors:

- Patient experience
- Injury to patient, staff ,visitors, others
- Objectives/ project
- Complaints/ claims
- Service business interruption
- Staffing and competence/
- Financial including loss /damage/ fraud
- Inspection/ audit
- Adverse publicity reputation

The consequence score ranges from **1** (Negligible) to **5** (Extreme). It should be assessed against all relevant descriptors; the descriptor generating the highest scoring criteria will identify the overall score for that risk.

**Risk Rating:** Risk rating is a numerical combination of the likelihood score x the consequence score.

**Risk Level:** We use the following definitions for risk scores- level and rating.

LEVEL	RATING
High:	15 -25
Moderate:	8 -12
Low:	4 - 6
Very Low:	1 - 3

### Risk Controls

Risk controls are measures to effectively mitigate a risk to the level acceptable to the organisation (i.e. to a planned target score). You should consider any controls currently in place to reduce the likelihood of the risk occurring and / or the consequence should it materialise; the adequacy of those controls; record what is in

place and identify any gaps and additional required actions. Controls can be preventative or contingency and should aim to reduce the likelihood and / or consequence.

- **Preventative Controls:** Mitigating actions which will work to control the cause of the risk and prevent it happening in the first place e.g. policies, procedures, projects, training courses, business continuity plans legislation, national directives, protective measures, contingency plans, meetings
- **Contingency Controls:** Actions that can be put in place to reduce the risk impact if it does materialise.

It is essential to assess whether the controls identified are, or will be effective, so consider the following:

- What do you have in place to manage the cause and / or impact of the risk?
- Do they work and what evidence do you have of the effectiveness? For example, a policy which is in place but never complied with **is not** an effective control.
- Are there any gaps in your controls?
- Do you have all the information you need about the risk or do you need more?
- If several activities are required to manage the risk, how will you prioritise these?
- Are the controls within the remit of your department? If not, consider who you need to liaise with to ensure that appropriate controls are put in place.
- If you implement the controls you have identified, will these manage the risk towards the planned target? If not, then further controls are likely to be required.

### **Mitigating Actions**

Where further actions are required to manage a risk these should be **SMART:**

**Specific** - clear, focussed, unambiguous

**Measurable** - quantifiable - clearly defined outcome

**Achievable** - realistic and appropriate

**Relevant** - linked to what is to be achieved.

**Time** - bound - realistic with defined start and end date for achieving the outcome

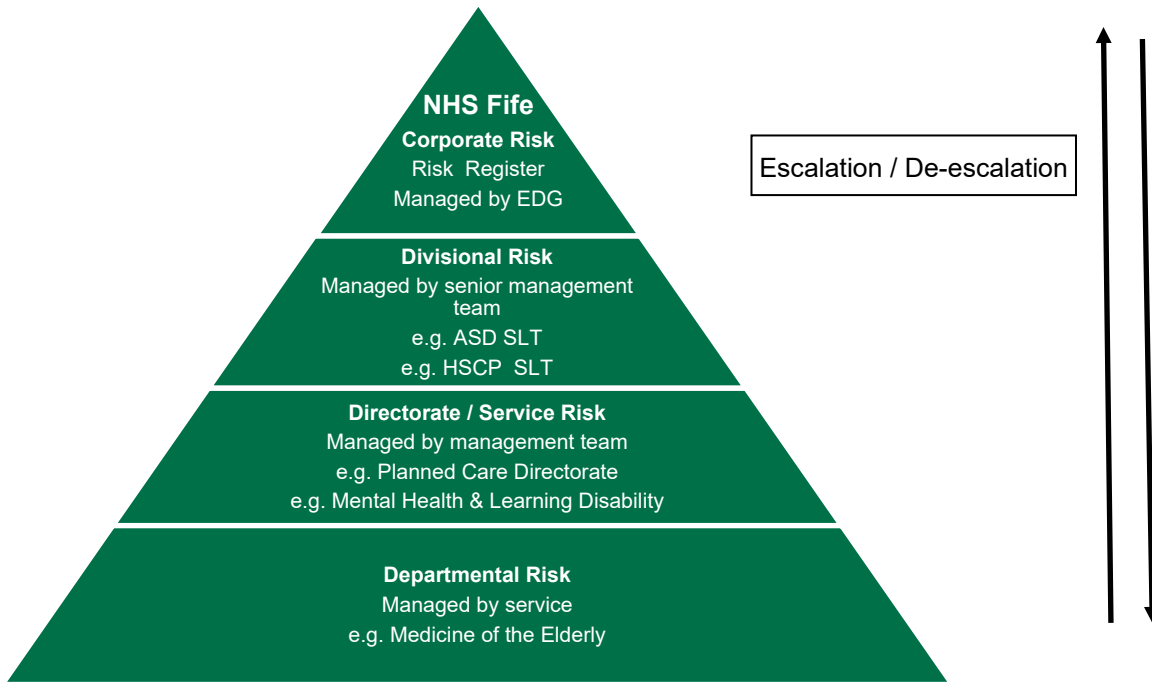
## 7.4 Risk Registers

When the risk has been fully scoped and following approval, it should be recorded in a risk register.

A risk register is an information log created by an organisation to record its risks and responses. It is a tool intended to help managers achieve their objectives. It should drive and provide evidence of risk management activities and act as a means or source for risk reporting. Risk registers must be maintained and reviewed to ensure they are up to date and effective.

The repository for risks in NHS Fife is the Risk Register module of our IT risk management system. Appendix 4 provides guidance on the core risk register fields. Risk registers exist across the organisation for specific portfolios, programmes, projects, and day-to-day activities.

## Risk Register Hierarchy



Acute Services Division (ASD)  
Executive Directors' Group (EDG)  
Health & Social Care Partnership (HSCP)  
Senior Leadership Team (SLT)

### 7.5 Monitor and Review

Healthcare is delivered in a dynamic and challenging environment. It is therefore necessary to regularly monitor, review and update our risks. This includes re-assessing for changes in context and risk score, management controls and/or or actions. The process should look to answer the following questions.

- Is the organisation taking the right risks?
- Is the management of risk effective? i.e. Are risks reducing to an acceptable level, increasing or static?
- Is risk management providing useful, timely information that helps improve the organisation's decisions?

The risk review timescales are set out below and as a guide in the Risk Register module.

Current Risk Rating	Review & Update Frequency
High: 25	Within 1 month
High: 15 - 20	Within 1 month
Moderate: 8 -12	No longer than 3 months
Low: 4 - 6	No longer than 3 months
Very Low: 1 - 3	No longer than 3 months

### Steps in a Risk Review

When reviewing a risk, you should consider the following:

- Is the description valid? Does it make sense? Does it match the current operational challenge?
- Do the scores feel right?
- Is the rationale for the current score valid?
- Are there internal or external factors / influences that might alter the risk score?

- Do the controls match the stated risk?
- Are the controls working effectively as intended or not? Is the risk decreasing towards target? If not, why? What more / different is needed?
- Is the risk target realistic?
- If the score shows that the risk is increasing or remaining static, check the measures you have in place and consider what else might be needed and add as necessary. When a risk appears static, this might indicate the risk has merely been identified but is not being actively managed and requires an alternative approach / interventions and /or escalation.
- What level of assurance can you provide?
- What impact do you expect additional measures to have on likelihood and / or consequence?

### Following a Risk Review

You must record the outcome of risk reviews in the risk management system to show evidence of monitoring. This includes:

- updates to current risk score - rating and level
- changes to controls and actions
- a progress note where applicable

Risk owners and teams can upload relevant information to the Documentation field within the risk record to provide supporting evidence of risk management activities.

### Risk Summary Dashboard

A Dashboard has been developed which is built on a daily extract, taken from the Risk Register module. This means the information displayed in the dashboard is a snapshot of the organisation's risk register on the day and not a live representation. The Dashboard has a number of chapters and pages, offering a variety of charts and graphs, or data visualisations. Managers, risk owners and others who are responsible, through their role and the work of their teams, for effective risk management, can drill down into that data to view for their specific needs. Guidance is provided in the developing "Risk Management - Operational Guidance. Working with the Micro strategy Risk Summary Dashboard". This guidance provides a method for individuals, departments, services, directorates, management and leadership teams, to review and manage risks in a consistent and time effective manner. It suggests activities to help teams to further develop their approach to risk management and prioritise their focus on e.g. high risks, overdue risks and risks that have been open for a long time. The Dashboard can be accessed through the NHS Fife Data and Insight Hub.

## 7.6 Risk Escalation

Risk escalation is a process that ensures risks that cannot be managed by a local team, department or specialty are escalated appropriately. To ensure that risks are managed effectively, they must be escalated in a timely way to the appropriate level in the organisation and to external stakeholders where necessary. This allows visibility of risks, and support and necessary action to occur at the earliest opportunity.

**All staff** in NHS Fife have a responsibility for identifying risk. If you identify a risk that you think may require escalation, e.g. a risk is confirmed as or moves to being Very High (25), raise this first with your line manager to allow them to decide on the appropriate action having considered factors including:

- the risk likelihood and consequence scores
- the effectiveness or otherwise of current management actions / mitigations
- the threat presented by the risk e.g. to organisational objectives / national standards
- who needs to be made aware e.g. General Manager, Head of Service, Executive Director who must establish if the impact of the risk is e.g. across the organisation or will impact on its reputation

Before escalating or de-escalating a risk, you should consider the following points:

Escalation	De-escalation
<ul style="list-style-type: none"> <li>• Is there evidence that controls &amp; actions are ineffective in reducing or eliminating the risk?</li> <li>• Have all controls &amp; local solutions been implemented?</li> <li>• Are there any alternative controls?</li> <li>• Are consequences so severe that the risk needs higher visibility?</li> <li>• Is the likelihood score justified?</li> <li>• Is the “target rating” realistic? If so, what additional mitigation could occur or is there a need to escalate?</li> <li>• Is it agreed that an area does not have resource / authority to manage the risk?</li> <li>• Does the risk impact on other areas?</li> <li>• Are similar risks appearing on other operational risk registers indicating the need for corporate oversight?</li> </ul>	<ul style="list-style-type: none"> <li>• The risk has been reviewed by the risk owner and next level manager</li> <li>• The risk has had further mitigating action and has been reduced with monitoring required over an agreed period of time.</li> <li>• The risk will be transferred (outsourced) and/ or closed.</li> <li>• The risk is acceptable and will be de-escalated back to source for assurance monitoring.</li> <li>• The risk may be closed.</li> </ul>

For guidance, see the Escalation Flowchart at Appendix 5.

N.B. Risks can be de-escalated back to the originating level for monitoring if a sustainable risk level has been achieved at or below the risk appetite.

### Closing a Risk

When a risk has been sustainably mitigated to the lowest possible level / reached its planned risk target, and is no longer considered active, or no longer describes the current challenge, it should be considered for closure. It may be necessary to reframe the current risk. To determine the appropriate action, the risk owner should carry out a full risk review with other stakeholders / team members, to reach a decision on its closure as follows:

**Corporate** risks - review through EDG and the relevant governance committee. This may follow a recommendation from the ROG. A closing deep dive review will be carried out initially for EDG consideration and then submitted to the aligned governance committee for a decision.

**Operational** risks - review through the Directorate / Service / Corporate management team and or clinical governance / risk fora

**Programme / Project** risks - through the PMO, Programme or Project Board

If there is consensus that a risk is no longer active, it may be closed. The risk record must be updated to reflect the reason for closure, decision maker (s), and the date of closure. The risk will remain on the risk management system to enable a historical view of the risk.

## 7.7 Risk Appetite

Simply put, risk appetite is the amount of risk the Board is willing to take or tolerate in the pursuit of its objectives. It underpins effective risk management and should reflect our functions, purposes and be balanced against our ambition. Risk Appetite can:

- support a consistent approach to risk across an organisation and ensure that we are operating within acceptable limits
- inform decision making - ensure resources are not spent on further reducing risks already at an acceptable level
- promote prioritisation of resource, including corporate focus and management time e.g. on risks above appetite; this could inform choices for deep dive reviews

- remove subjectivity
- help balance innovation vs status quo - risks vs opportunity

The Board sets the Risk Appetite and captures it in a Risk Appetite Statement. Risk appetite is not static; it varies depending on internal and external factors and so should be periodically reviewed and updated.

### Risk Appetite Descriptors

To ensure a common understanding of ‘levels’ of risk appetite, we use the following descriptors:

**Averse** – Avoidance of risk and uncertainty is a key organisational objective.

**Cautious** – Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.

**Open** - Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).

**Hungry** – Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.

### Risk Appetite Statement

The Board sets the Risk Appetite and captures it in a Risk Appetite Statement. A Risk Appetite Statement describes the level that an organisation is prepared to accept against certain categories or types of risk.

### Features of a Risk Appetite Statement

- Reflects the organisation’s strategic priorities, objectives and culture
- Easy to understand
- Clarifies the risks the organisation is actively pursuing **and** avoiding
- Considers opportunity
- Sets out acceptable levels of risk
- Not fixed - range of appetites - varies with context and over time
- Periodically reviewed considering internal & external factors
- Approved by the Board and formally documented
- Communicated to staff

NHS Fife’s Risk Appetite Statement aligns to our 4 strategic priorities and is set out at Appendix 6.


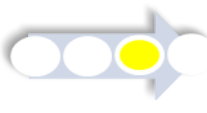


## 7.7 Assurance

<b>Assurance provides:</b>	Evidence / Certainty / Confidence
<b>To:</b>	Directors / Organisation / The Board / The Public / External Agencies
<b>That:</b>	What we are currently doing is making a positive impact on risks

In the context of risk management, assurances should be based on credible evidence that risks are being adequately managed with key controls and mitigations identified, implemented and working effectively in terms of relevance, proportionality, reliability and sufficiency.

To support and add consistency to our risk assurance reporting, we have adopted the 4-level assurance model used by Internal Audit. Currently, this model applies principally to the Corporate Risks.



Level of Assurance		System Adequacy	Controls
Significant Assurance		A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Controls are applied continuously or with only minor lapses.
Moderate Assurance		There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Controls are applied frequently but with evidence of non-compliance.
Limited Assurance		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Controls are applied but with some significant lapses.
No Assurance		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant breakdown in the application of controls.

This model forms part of the Assurance Principles provided to the EDG, the Governance Committees and the Board within the Corporate Risk reports and Risk Deep Dive Reviews.

The Principles also refer to what is often called the “three lines of assurance” model. This provides a framework for undertaking a comprehensive assessment of the effectiveness of risk controls and actions and allows a conclusion to be reached on the level of assurance given and obtained. It is summarised below.

<b>1<sup>st</sup> line:</b>	Management assurance from “front line ” or operational areas that own the risks and are responsible for controlling them day-to-day and for taking corrective actions to address deficiencies. e.g. applying policies and procedures, understanding the key controls, and how well those are working.
<b>2<sup>nd</sup> line:</b>	Oversight of management activity, separate from those responsible for delivery, but not independent of the organisation’s management chain e.g. corporate governance /compliance functions to assist the first line fulfil their assurance responsibilities. Includes e.g. quality assurance, inspection, to determine compliance with standards / policy / regulatory considerations.
<b>3<sup>rd</sup> line:</b>	Independent and objective assurance reports on the integrity and effectiveness of risk management & related controls, including the quality of assurance derived from the 1 <sup>st</sup> & 2 <sup>nd</sup> lines. Typically provided by internal audit but also external audit, accreditation bodies, regulators, Royal Colleges.

The Assurance Principles are set out in Appendix 7.

### Risk Deep Dive Reviews

A key component of our assurance approach is a risk deep dive review. The role of a risk ‘deep dive’ is to allow us to gain a detailed understanding of a risk; in particular, its strategic context, root causes and consequences, risk scores and rationales, and relationship to risk appetite. Critically, it should focus on the performance of controls and mitigating actions in achieving the risk target. In this way a deep dive can test assumptions, highlight gaps and identify the need for additional information and / or areas for improvement.

Generally, the triggers for undertaking a risk deep dive review apply to our corporate risks. These are:

**Proposal of a New Corporate Risk:** *A potential risk is identified to the delivery of strategic priorities*

**Deteriorating Corporate Risk:** *A risk has deteriorated i.e. current risk level increased from when initially identified/risk level causes risk to exceed risk appetite*

**Static Risk:** *There is stasis in a corporate risk beyond the target date for achieving the target risk rating*

**Proposed De-escalation or Closure of Corporate Risk:** *Risk has achieved or surpassed its planned risk target*

Deep dives may also be commissioned by the aligned governance committee or via a recommendation from EDG in response to other risks, priorities or concerns.

### **Key Performance indicators (KPIs)**

Measuring, managing and monitoring risk management performance is key to the delivery of objectives. KPIs are used to assess the effectiveness of the risk management arrangements and provide assurances to the governance committees and the Board.

## **7.9 Communicate and Consult**

The communication of clear, relevant, reliable risk information is essential to effective risk management. The Model SBAR Template provides a section in which key risks relevant to the report should be set out.

Key organisational risk reports include the following:

### **Reporting to the Board:**

The Corporate Risk Register will be reported to the Board on a 6 monthly basis or by exception as required. Additionally, the Strategic Risk Profile, as a dashboard set in the context of the Board's risk appetite, forms a component of the monthly Integrated Performance & Quality Report (IPQR).

### **Reporting to the Audit & Risk Committee**

A Corporate Risk Register update will be reported to each meeting of the Committee for consideration, review and comment; this will be at least quarterly. Risk KPIs will also be reported to the Committee.

### **Reporting to the Governance Committees**

An overarching Corporate Risk Register report will go bi-monthly to each committee, according to its areas of scrutiny, with detailed reviews on specific corporate risks every 4 months, unless by exception. A risk may be reported to more than one committee depending on its nature and relevance.

### **Annual Risk Management Report**

An Annual Risk Management Report will be produced which will include a formal conclusion on the adequacy and effectiveness of the risk management arrangements, supported by appropriate evidence. The Report will be submitted to the Audit & Risk Committee to inform the Committee's opinion on the overall system of risk management at year end.

### **Directorates and Services**

Departments will carry out regular risk reviews which will be monitored and reported through their governance groups and committees to ensure that there is appropriate oversight, discussion, action planning and where indicated, escalation.

### **Fife Integration Joint Board**

The reporting requirements and responsibilities relating to risks to delegated services are set out in the Fife IJB Risk Management Strategy.

Risk management staff from both parties will work together to ensure that risk management arrangements are aligned to facilitate effective escalation of risks and provision of assurance.

### **Patients and the Public**

NHS Fife seeks to inspire confidence and trust in its services and will:

- be open with the public about our understanding of the nature of known risks
- engage with stakeholders as appropriate in relation to risks that affect them
- embrace the principles of value based health and care including realistic medicine, to achieve the outcomes and experiences that matter to patients, their families and carers. This will support delivery of care that reduces harm and waste.
- provide assurance through the Annual Risk Management Report that we have in place adequate and effective systems to manage risk

## **8. Implementation**

To support the implementation of this Framework, an annual delivery plan will set out how we will achieve our objectives each year. Progress against the plan will be monitored by the ROG and reported to the EDG and the Audit and Risk Committee, and within the Annual Risk Management Report.

The information will be accessible for staff to download via Staff Link and accessible to patients and members of the public on the NHS Fife web site - [nhsfife.org](https://www.nhs.uk).

## **9. Training and Development**

For risk management to be effective and embedded across the organisation, staff must understand its benefits and their responsibilities. Resources, training and development sessions to enable staff to acquire the knowledge and skills necessary for their role will be provided and advertised via Staff Link and /or targeted communications.

For risk management advice, guidance and support, please contact [fife.fifedatixadmin@fife.nhs.scot](mailto:fife.fifedatixadmin@fife.nhs.scot)  
Your request will be considered and directed to an appropriate member of the Quality and Clinical Governance Team.

## **10. References**

- The Orange Book: Management of Risk - Principles and Concepts, 2023
- ISO 31000 Risk Management- a practical guide, 2018
- Fife Health & Social Care Partnership - Integration Joint Board Risk Management Policy and Strategy, 2023
- The Open University (the OU), Open Learn, Risk Management , January 2020 pp167-168

## Glossary of Terms

**A Risk:** Something that hasn't happened yet but has a likelihood of occurring.

**Adverse Event:** An unexpected occurrence or event arising that did or could have resulted in harm, loss or damage to persons, property or organisational reputation. It can include any event that may give rise to physical, emotional, psychological harm or death. People are defined as: • service users • patients • members of staff • carers • family members, and • visitors Groups of people include any functional grouping of individuals such as an organisation.

**Assurance:** Stakeholder confidence in our service gained from evidence showing that risk is adequately managed and that critical controls have been identified, implemented and are effective.

**Consequence:** Most predictable impact to individual or organisation if circumstances were to occur.

**Contingency:** An action or arrangement that can be implemented to minimise impact and ensure continuity of service when things go wrong.

**Current Risk Score:** The risk score identified taking into account controls currently in place to manage the risk.

**Deep Dive Review:** Standard quality assurance tool. Its purpose is to drive continuous quality improvement. Technique is intended to solve problems, generate ideas and understand a situation.

**Eliminate Risk:** Do things differently & remove the risk where it is feasible to do so.

**Governance:** The system by which organisations are directed and controlled to achieve objectives and meet the necessary standards of accountability, probity and openness in all areas of governance.

**Horizon scanning:** Systematic examination of potential threats, opportunities and likely future developments which may be at the margins of current thinking and planning. Can explore novel and unexpected issues as well as persistent problems or trends, help to anticipate, identify and prepare for new or changing risks, developments, trends or changes in workplaces, including those arising from socio-economic, workplace trends that could have an impact on ability to deliver on objectives.

**Initial Risk Score:** The score identified by assessing the risk with no controls, mitigation or contingency plans in place.

**Internal Control:** Corporate governance arrangements designed to manage the risk of failure to meet objectives.

**Issue:** Something that has happened and / or is already present.

**Likelihood:** Probability of an event occurring, wherever possible based upon the frequency of previous occurrences, which can be expressed quantitatively or qualitatively.

**Near Miss:** Where no harm, loss or damage is caused but could have resulted in harm, loss or damage in other circumstances.

**Partnership:** Way of working where staff at all levels and their representatives are involved in developing and putting into practice the decisions and policies which affect their working lives and service delivery.

**Reduce risk:** Take action to control the risk either by taking actions which lessen the likelihood of the risk occurring or the consequences of occurrence.

**Risk:** Uncertainty of outcome, whether positive opportunity or negative threat, of actions and events have an impact on the organisation's ability to achieve its objectives. It is the combination of the likelihood and impact or consequence of the risk materialising.

**Risk Appetite:** The amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.

**Risk Assessment:** A systematic process of assessing the likelihood of something happening (frequency or likelihood) and the consequence if the risk actually happens.

**Risk Control:** Management measures to effectively manage a risk to within an acceptable level. Can be preventative or contingency in nature and will reduce the likelihood and/ or consequence.

**Risk Culture:** Reflects the overall attitude of the management of an organisation towards risk.

**Risk Escalation:** The process of delegating upward, ultimately to the Board, responsibility for the management of a risk deemed to be impractical or not reasonably practicable to manage locally.

**Risk Evaluation:** An estimate of the probability and /or frequency of the risk occurring and the impact or severity if it does.

**Risk Handler:** Person responsible for updating the risk in the risk management system,

**Risk Identification** is the process of determining risks that could potentially impact in some way on the achievement of our objectives. It includes documenting and communicating the concern.

**Risk Level:** Risk expressed as a combination of its likelihood and severity of consequence.

**Risk Management:** The integrated approach (culture, processes, structures) to the identification, analysis, control and monitoring of risk which may threaten the achievement of objectives. It involves the systematic identification, evaluation and treatment of risk. It is a continuous and evolving process which aims to reduce risk to organisations and individuals alike.

**Risk Matrix:** Scoring mechanism to identify the severity of a risk, by multiplying likelihood x impact, across pre-set categories.

**Risk Maturity:** The level of risk management capability within an organisation.

**Risk Owner:** The lead person assigned with responsibility for ensuring that the risk is adequately controlled and monitored.

**Risk Register:** A tool used to capture and monitor risks. Includes all information required about the particular risk and to be used as a management tool and conduit for risk reporting.

**Target Score:** An acceptable level of risk based on the category of risk and risk appetite.

**Tolerance:** The boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long term objectives. The maximum level of risk the organisation can tolerate regarding each type of risk before the organisation is significantly impacted.

**Threat:** A negative scenario which could give rise to risks.

**NHS FIFE  
RISKS AND OPPORTUNITIES GROUP  
TERMS OF REFERENCE**

**1. Purpose**

*The Group has been delegated responsibility by the Executive Directors' Group (EDG) to progress the activities described in this document and to prepare regular formal reports on progress and seek approval for proposals from the Group.*

The purpose of the Risks and Opportunities Group (ROG) is to support and embed an effective risk management framework and culture through:

- Promoting leadership to ensure the organisation gives risk management the appropriate priority;
- Contributing to the development and implementation of the risk management framework to ensure processes are in place and operating effectively to identify, manage, and monitor risks across the organisation;
- Identifying risks and opportunities in relation to delivery of the NHS Fife Population Health and Wellbeing Strategy and escalating to the EDG as appropriate;
- Assessing risks, opportunities, issues and events that arise and responding accordingly;
- Horizon scanning for future opportunities, threats and risks linked to the delivery of NHS Fife's strategic priorities;
- Considering the external environment for review of risks and opportunities in the context of national directives;
- Ensuring continuous improvement of the organisation's control environment;
- Creating a collective and enabling approach to risk controls and actions

**2. Composition**

2.1 Core membership who attend all meetings and provide consistent direction for the agenda and work plan is as follows:

Associate Director for Risk & Professional Standards (Chair)  
 Director of Digital and Information (Deputy Chair)  
 Assistant Director, Research, Innovation and Knowledge  
 Director of Allied Health Professions (AHPs)  
 Director of Communications  
 Associate Director of Planning and Performance  
 Associate Director of Quality and Clinical Governance  
 Associate Director for Risk & Professional Standards  
 Director of Nursing - Corporate  
 Deputy Director of Finance  
 Deputy Director of Pharmacy and Medicines  
 Head of Workforce Planning and Staff Wellbeing  
 Deputy Medical Director (Acute)  
 Head of Sustainability, NHS Fife  
 General Manager, Acute Services Division  
 Head of Corporate Governance and Board Secretary  
 Healthcare Public Health Consultant  
 Health & Social Care Partnership (HSCP) Representative  
 Staff Side Area Partnership Forum Representative

2.2 A member of the Internal Audit team will be **in attendance** at meetings.

2.3 Other colleagues may be invited to attend meetings to contribute to particular topics as required.

2.4 If a core member is unable to attend, they should identify a deputy to do so on their behalf.

2.5 Members of the group commit to role modelling positive attitudes and behaviours which align to NHS Fife's organisational values.

**3. Role and Remit**

3.1 The role and remit of the ROG is to:

- a) Maintain an overview of the corporate risks and their links to strategic priorities.
- b) Assess the corporate risk register using knowledge and understanding from members' respective areas of responsibility and assist the Executive Directors' Group (EDG) and the governance committees with recommendations (by way of a regular exception report) in relation to:
  - the risk levels including target, and corresponding risk appetite level
  - adequacy of controls (stabilising risk) and actions (current and future to reduce risk)
  - specific timescales for impact of risks and ensuring that actions and corresponding timescales for delivery are appropriate
  - identifying risks which require a more detailed assessment to ensure improvement is delivered
  - horizon scanning of risks and opportunities which may impact the risk profile
  - providing assurance that the corporate risk register reflects and aligns to the strategic priorities and in year corporate objectives
  - assessment of immediate, mid and long term risks in terms of proximity
- c) Ensure a prioritised programme of work which responds to the Annual Delivery Plan (ADP), the corporate risk register and connects to the Integrated Performance & Quality Report (IPQR) deliverables and with a view to reducing the risk exposure.
- d) Maintain oversight of the operational risk profile.
- e) Monitor risk performance through the implementation of key performance indicators.
- f) Identify operational risks for escalation.
- g) Develop a work plan which effectively embeds the NHS Fife Risk Management Framework. This will be submitted to EDG and to the Audit and Risk Committee (ARC).
- h) Provide leadership across respective areas of responsibility to promote, support and embed an effective risk management culture.
- i) Contribute to and monitor the development of organisational support to ensure effective risk management practice through:
  - delivery of targeted education and training; and
  - regular communications on developments in policy and process

#### **4. Meetings and Reporting Arrangements**

- 4.1 Meetings will be held bi-monthly.
- 4.2 The group will be quorate when at least one of the co-chairs plus at least 8 other members are present.
- 4.3 The ROG will report to EDG periodically, making recommendations, providing considerations or in the form of escalation if required as part of its role and remit.
- 4.4 The ROG will report to ARC periodically, making recommendations or providing considerations from its role and remit.
- 4.5 Individual members will report into respective local governance groups to ensure a focus on effective risk management arrangements. These groups include: e.g. Clinical Governance Oversight Group (CGOG), Senior Leadership Teams (SLTs), Public Health Assurance Committee (PHAC)
- 4.6 These reporting arrangements are additional to the existing reporting requirements conducted by the Risk Management team.

#### **5. Review**

- 5.1 These terms of reference will be reviewed on an annual basis.

Date of Approval: 4 June 2024

Review Date: May 2025 2024

**Risk Assessment Matrix**

A risk is assessed as **Likelihood x Consequence**

**Likelihood** is assessed as Remote, Unlikely, Possible, Likely or Almost Certain

**Figure 1 Likelihood Definitions**

Descriptor	Remote	Unlikely	Possible	Likely	Almost Certain
Likelihood	Can't believe this event would happen – will only happen in exceptional circumstances (5-10 years)	Not expected to happen, but definite potential exists – unlikely to occur (2-5 years)	May occur occasionally, has happened before on occasions – reasonable chance of occurring (annually)	Strong possibility that this could occur – likely to occur (quarterly)	This is expected to occur frequently / in most circumstances – more likely to occur than not (daily / weekly / monthly)

**Consequence** is assessed as, Negligible, Minor, Moderate, Major or Extreme.

**Risk Level** is determined using the 5 x 5 matrix below based on the AUS/NZ Standard. The risk levels are:

- Very Low Risk (VLR)
- Low Risk (LR)
- Moderate Risk (MR)
- High Risk (HR)

**Figure 2 Risk Matrix**

Likelihood	Consequence				
	Negligible 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost certain 5	LR 5	MR 10	HR 15	HR 20	HR 25
Likely 4	LR 4	MR 8	MR 12	HR 16	HR 20
Possible 3	VLR 3	LR 6	MR 9	MR 12	HR 15
Unlikely 2	VLR 2	LR 4	LR 6	MR 8	MR 10
Remote 1	VLR 1	VLR 2	VLR 3	LR 4	LR 5

Risks once identified, must be categorised against the following consequence definitions



Figure 3 Consequence Definitions

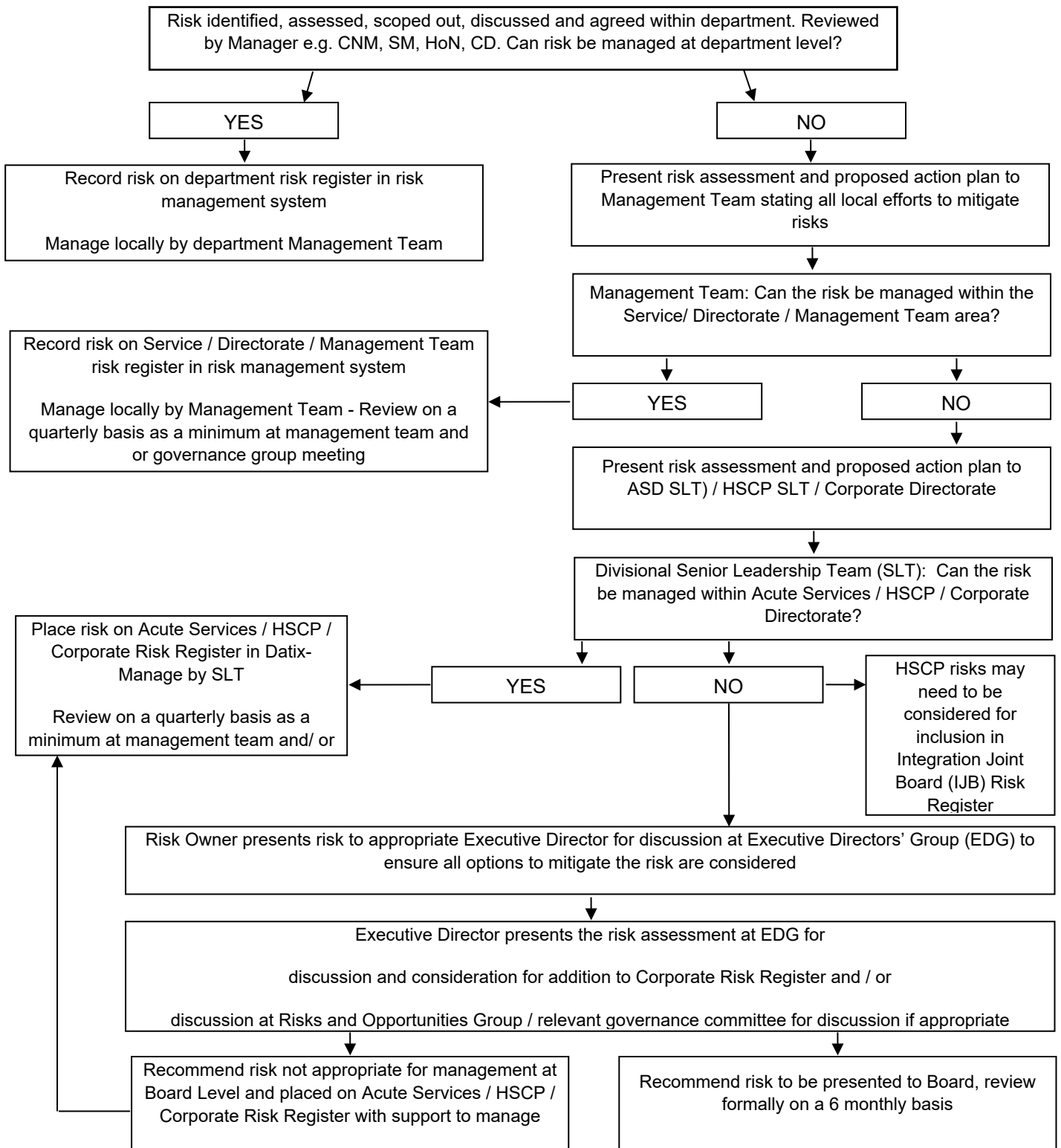
Descriptor	Negligible	Minor	Moderate	Major	Extreme
<b>Patient Experience</b>	Reduced quality of patient experience / clinical outcome not directly related to delivery of clinical care.	Unsatisfactory patient experience / clinical outcome <b>directly related to care provision – readily resolvable.</b>	Unsatisfactory patient experience / clinical outcome, short term effects – expect recovery <1wk.	Unsatisfactory patient experience / clinical outcome, long term effects – expect recovery >1wk.	Unsatisfactory patient experience / clinical outcome, continued ongoing long term effects.
<b>Objectives / Project</b>	Barely noticeable reduction in scope / quality / schedule.	Minor reduction in scope / quality / schedule.	Reduction in scope or quality, project objectives or schedule.	Significant project over-run.	Inability to meet project objectives, reputation of the organisation seriously damaged.
<b>Injury (Physical and psychological) to patient / visitor / staff.</b>	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required.	Agency reportable, e.g. Police (violent and aggressive acts). Significant injury requiring medical treatment and/or counselling.	Major injuries/long term incapacity or disability (loss of limb) requiring medical treatment and/or counselling.	Incident leading to death or major permanent incapacity.
<b>Complaints / Claims</b>	Locally resolved verbal complaint.	Justified written complaint peripheral to clinical care.	Below excess claim. Justified complaint involving lack of appropriate care.	Claim above excess level. Multiple justified complaints.	Multiple claims or single major claim/. Complex justified complaint
<b>Service / Business Interruption</b>	Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service.	Short term disruption to service with minor impact on patient care.	Some disruption in service with unacceptable impact on patient care. Temporary loss of ability to provide service.	Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked.	Permanent loss of core service or facility. Disruption to facility leading to significant “knock on” effect
<b>Staffing and Competence</b>	Short term low staffing level temporarily reduces service quality (less than 1 day). Short term low staffing level (>1 day), where there is no disruption to patient care.	Ongoing low staffing level reduces service quality. <b>Minor error</b> due to ineffective training / implementation of training.	Late delivery of key objective / service due to lack of staff. <b>Moderate error</b> due to ineffective training / implementation of training. Ongoing problems with staffing levels.	Uncertain delivery of key objective / service due to lack of staff. <b>Major error</b> due to ineffective training / implementation of training.	Non-delivery of key objective / service due to lack of staff. Loss of key staff. <b>Critical error</b> due to ineffective training / implementation of training.
<b>Financial (including damage / loss / fraud)</b>	Negligible organisational / personal financial loss (£<10k)	Minor organisational / personal financial loss (£10k-100k)	Significant organisational / personal financial loss (£100k-250k)	Major organisational / personal financial loss (£250 k-1m)	Severe organisational / personal financial loss (£>1m)
<b>Inspection / Audit</b>	Small number of recommendations which focus on minor quality improvement issues.	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan.	Enforcement action.  Low rating  Critical report.	Prosecution.  Zero rating  Severely critical report.
<b>Adverse Publicity / Reputation</b>	Rumours, no media coverage.  Little effect on staff morale.	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale / public attitudes.	Local media – long-term adverse publicity.  Significant effect on staff morale and public perception of the organisation.	National media / adverse publicity, less than 3 days.  Public confidence in the organisation undermined Use of services affected	National / International media / adverse publicity, more than 3 days. MSP / MP concern (Questions in Parliament). Court Enforcement Public Enquiry, FAI

Based on NHS Quality Improvement Scotland (February 2008) sourced AS/NZS 4360:2004: Making it Work: (2004) and Healthcare Improvement Scotland, Learning from Adverse Events: A national framework (4<sup>th</sup> Edition) (December 2019)

## CORE RISK REGISTER FIELDS

Field Name	
ID	Unique identifier number for each new record created within IT risk management system. This should be used to identify risk for example in reports.
Title	Full title of risk
Risk Type	e.g. Strategic / Operational / Programme or Project
Position of Risk	The specific risk register(s) in which an individual risk is currently located
Description	Standardised way of expressing the risk. clearly and concisely to describe the risk event, the cause and the effect. There is a risk that ... / due to/ because of ... which could lead to /impact on...
Risk Level Initial	Score when the risk is first identified and assessed with no steps taken to control or manage the risk. This score will not change for the lifetime of the risk and is used as a benchmark against which the effect of management actions will be measured. Sometimes called 'inherent' risk'
Risk Level Current	Score taking account of current controls in place. Reflects the score at the time the risk was last reviewed in line with review dates. It is expected that this score will reduce and move toward the planned Target Risk Score as actions to mitigate the risks are developed and implemented.
Risk Level Target	Planned risk score after all controls and proposed actions have been implemented. By setting a target, we can determine how effectively the risk is being managed and /or if management actions need to be reviewed
Current Management Actions. What are we currently doing about the risk?)	Measures in place setting out how the risk is currently controlled e.g., processes; policies; procedures, practices; devices, contingency plans, training, meetings national directives, legislation
Previous Management Actions	At the review, any redundant management actions must be moved from the current management actions field into this archive field.
Progress Notes	Any <b>brief</b> additional notes relating to progress not management actions
Risk Owner	The person with ultimate responsibility for the risk and its effective management
Risk Handler	Person responsible for ensuring risk is recorded in risk management system and all updates are acquired for review?
Risk Status	Shows if risk is active or closed
Approval Status	Indicates if the risk has been approved
Opened	The date that the risk was first identified & added to risk management system
Review Date	The date the risk was last reviewed
Next Review	The date by which the risk must be reviewed in its entirety
Risk Type / Sub Type	How the risk is categorised e.g. clinical; health & safety
Service/Directorate	Indicates the Service or Directorate where the risk originated
<b>Actions</b>	
Action ID	System will generate an ID number for every action created
Assigned by	Name of the person who has created the action
Assigned to	Name of person responsible for ensuring completion of the action
Description/synopsis	Brief summary
Due Date	Date when action is due for completion
Completed by	Name of person completing the action
Completed Date	Date action completed
<b>Documents</b>	
e.g. a report/ business case / risk assessment, can be added into this section and available for others to view	

**NHS Fife Risk Escalation Flowchart**



### NHS Fife Risk Appetite Statement November 2024

NHS Fife’s Population Health and Wellbeing Strategy (2022-2027) sets an organisational vision that the people of Fife live long and healthy lives. This strategic framework, developed by our staff and built on our vision and values details how our priorities will link to National Care Programmes, underpinned by system enablers. It is also important that the risk appetite is aligned to our Reform, Transform and Perform (RTP) Programme.

The Board recognises that it is not possible to eliminate all the risks which are inherent in the delivery of health and care and is willing to accept a certain degree of risk when it is in the best interests of the organisation, and ultimately, the population of Fife and people we serve. The Board has therefore considered the level of risk that it is proposed to accept for key aspects of the delivery of health and care, and these are described in line with our four organisational aims.

Therefore, the Board and the relevant Board committees will not accept risks with an assurance level of less than moderate (no appetite for none or limited assurance). A higher level of scrutiny will be applied to risks and associated mitigation plans where the level of assurance is none or limited, until a minimum of moderate assurance is agreed. (Tolerate moderate assurance).

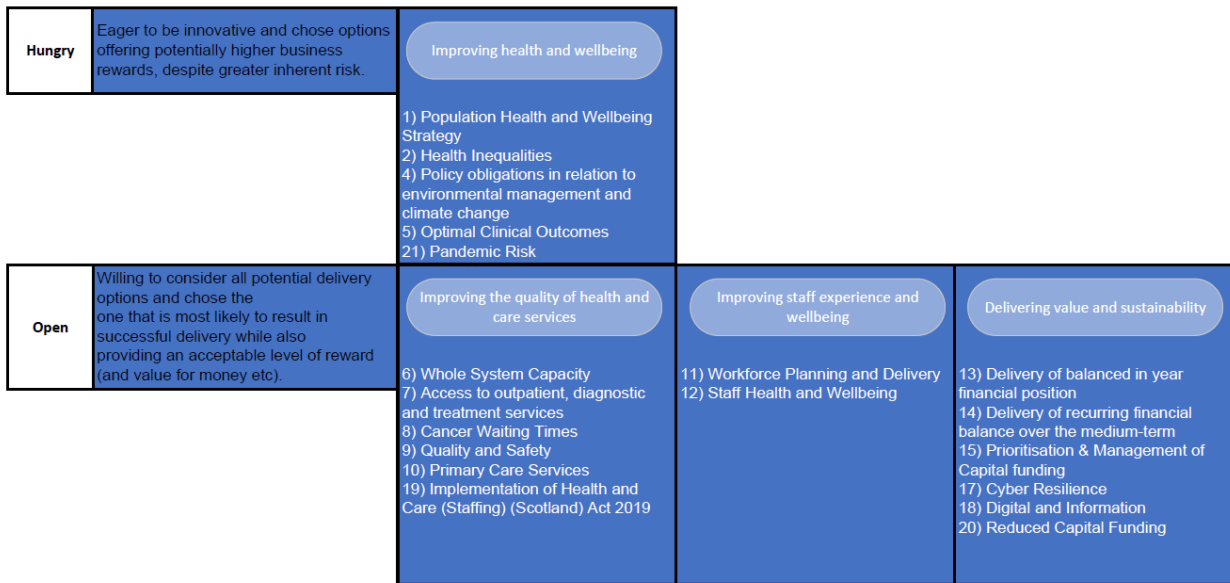
To ensure a common understanding of ‘levels’ of risk appetite, the following definitions have been adopted by the NHS Fife Board.

- Averse – Avoidance of risk and uncertainty is a key organisational objective.
- Cautious – Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
- Open - Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).
- Hungry – Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.

The risk appetite aligns to the strategic priorities within our four-point model as outlined below:

<b>Hungry</b>	Eager to be innovative and chose options offering potentially high despite greater inherent risk.	Improving health and wellbeing
<b>Open</b>	Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).	Improving the quality of health and care services    Improving staff experience and wellbeing    Delivering value and sustainability
<b>Cautious</b>	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.	
<b>Averse</b>	Avoidance of risk and uncertainty is a key organisational objective.	

The diagram below demonstrates where each of the corporate risks would fall in terms of this model:



## Committee Assurance Principles

### Purpose and Remit

The overall purpose of the Board is to ensure efficient, effective and accountable governance, to provide strategic leadership and direction, and to focus on agreed outcomes.

Detailed scrutiny should take place at committee level, with each committee providing assurance and escalating key issues as required.

Sub-committees and groups will frequently have an operational focus but must ensure that they are in a position to provide the required assurances on their operations and on any risks, actions and controls for which they are responsible.

The Assurance Principles set out below have been developed to support the assurance function.

## Assurance Principles

### Risk Assurance Principles:

#### Board

- Ensuring efficient, effective and accountable governance

#### Standing Committees of the Board

- Detailed scrutiny
- Providing assurance to Board
- Escalating key issues to the Board

#### Committee Agenda

- Agenda Items should relate to risk (where relevant)

#### Seek Assurance of Effectiveness of Risk Mitigation

- Relevance
- Proportionality
- Reliable
- Sufficient

#### Chairs Assurance Report

- Consider issues for disclosure
  - Escalation
- Emergent risks or
  - Recording
- Scrutiny or risk delegated to Committee

#### Year End Report

- Highlight change in movement of risks aligned to the Committee, including areas where there is no change
- Conclude on assurance of mitigation of risks
- Consider relevant reports for the workplan in the year ahead related to risks and concerns





### General Questions:

- Does the risk description fully explain the nature and impact of the risk?
- Do the current controls match the stated risk?
- How weak or strong are the controls? Are they both well-designed and effective i.e., implemented properly?
- Will further actions bring the risk down to the planned/target level?
- Does the assurance you receive tell you how controls are performing?
- Are we investing in areas of high risk instead of those that are already well-controlled?
- Do Committee papers identify risk clearly and explicitly link the strategic priorities and objectives/corporate risk?

### Specific Questions when analysing a risk delegated to the committee in detail:

- History of the risk (when was it opened) – has it moved towards target at any point?
- Is there a valid reason given for the current score?
  - Is the target score:
    - In line with the organisation's defined risk appetite?
    - Realistic/achievable or does the risk require to be tolerated at a higher level?
    - Sensible/worthwhile?
  - Is there an appropriate split between:
    - Controls – processes already in place which take the score down from its initial/inherent position to where it is now?
    - Actions – planned initiatives which should take it from its current to target?
    - Assurances – which monitor the application of controls/actions?
- Assessing Controls
  - Are the controls "Key" i.e., are they what actually reduces the risk to its current level (not an extensive list of processes which happen but don't actually have any substantive impact)?
  - Overall, do the controls look as if they are applying the level of risk mitigation stated?
  - Is their adequacy assessed by the risk owner? If so, is it reasonable based on the evidence provided?
- Assessing Actions – as controls but accepting that there is necessarily more uncertainty
  - Are they on track to be delivered?
  - Are the actions achievable or does the necessary investment outweigh the benefit of reducing the risk?
  - Are they likely to be sufficient to bring the risk down to the target score?
- Assess Assurances:
  - Do they actually relate to the listed controls and actions (surprisingly often they don't)?
  - Do they provide relevant, reliable and sufficient evidence either individually or in composite?
  - Do the assurance sources listed actually provide a conclusion on whether:
    - the control is working
    - action is being implemented
    - the risk is being mitigated effectively overall (e.g. performance reports look at the overall objective which is separate from assurances over individual controls) and is on course to achieve the target level
  - What level of assurance can be given or can be concluded and how does this compare to the required level of defence (commensurate with the nature or scale of the risk):
    - 1<sup>st</sup> line – management/performance/data trends?
    - 2<sup>nd</sup> line – oversight / compliance / audits?
    - 3<sup>rd</sup> line – internal audit and/or external audit reports/external assessments?

### Level of Assurance:

Significant Assurance	Moderate Assurance	Limited Assurance	No Assurance
			

Document developed from diagram produced by NHS Lanarkshire based on principles compiled by the Assurance Mapping Group of members of Boards covered by the FTF Internal Audit Service. 2022

## Risk Management Roles and Responsibilities

### The Board

- Approve the Risk Management Framework;
- Set the organisation's risk appetite;
- Oversee and seek assurance that the risk management system is effective;
- Receive a report on the Corporate Risk Register at least bi- annually, ensuring this reflects the organisation's risks

### NHS Fife Chief Executive

- The Chief Executive of the NHS Board, as Accountable Officer, is personally answerable to Parliament, and accountable to the Board for the effective management of risk.

### Director of Finance and Strategy

- The Director of Finance and Strategy is the executive lead for risk management. From 1 April 2025 this role will move to the Medical Director.

### Executive Directors

- Support the Chief Executive by fulfilling their risk management responsibilities;
- Contribute to setting the Board's risk appetite;
- Promote the importance of risk management and foster a good risk culture within their areas of responsibility;
- Ensure that the Board's risk management processes are actively promoted, and adhered to, across their teams and within their areas of responsibility;
- Receive and scrutinise regular risk reports on risks associated with their areas of responsibility;
- Escalate risks to EDG where appropriate;
- Ensure there is a focus on learning from past events, whether these are positive or negative, to improve staff anticipation and preparedness to address future situations.

### Associate Director for Risks and Professional Standards

On behalf of the Medical Director, the Associate Director for Risk and Professional Standards is responsible for the strategic and operational delivery of the Board's agenda across domains including: Risk Management. The post holder is responsible for supporting the Director of Finance and Strategy in the strategic and operational delivery of the Board's Risk Management Framework. This includes:

- Providing senior management advice and support to Executive Leads and other directors and senior managers where required in order to ensure that NHS Fife meets its ... risk management... and other objectives;
- Ensuring effective delivery of the risk management framework;
- Leading the delivery of the Risk Framework Delivery plan;
- Ensuring effective update of the corporate risk register;
- Leading on monitoring standards including risk to inform and assist the implementation of improvement actions;
- Taking a leadership role in maximising the participation of all staff in the development and implementation of the embedding of robust governance systems. Ensure that a multi-professional approach fostered throughout NHS Fife in the implementation of all cancer, quality, risk management and clinical governance activities;
- Leading and drive changes and improvements in ... and risk management;
- Working in partnership with the Director of Finance and Strategy to ensure effective processes and governance are in place to deliver the Audit and Risk Committee.

### Line Managers (Service Managers, Clinical Nurse Managers Senior Charge Nurses, Directorate, Departmental or equivalent)

- Responsible for ensuring effective systems for risk management are in at ward, service or departmental level.

### Risk Owner

- Accountable for ensuring the effective management of a risk, and providing assurance that controls are operating effectively

### Director of Health and Social Care / Chief Officer(DoHSC/CO)

- The DoHSC/CO has overall accountability for the IJB's risk management framework, ensuring that suitable and effective arrangements are in place to manage the risks relating to the functions within the scope of the IJB. The DoHSC/CO will keep the Chief Executives of the IJB's partner bodies informed of any significant existing or emerging risks that could



seriously impact the IJB's ability to deliver the outcomes of the Strategic Plan or the reputation of the IJB.

#### **Chief Financial Officer**

- The Chief Financial Officer(CFO) will be responsible for promoting arrangements to identify and manage key business risks, risk mitigation and insurance. The CFO is a member of the Fife Council Risk Management strategy group and the NHS Fife ROG.

#### **Internal Audit**

- Internal Audit will provide an objective evaluation and opinion on the adequacy and effectiveness of the Board's governance, risk and control arrangements through implementation of the Internal Audit plan.

#### **External Audit**

- External Audit will provide an independent evaluation to inform the Board's Governance Statement.

NHS Fife provides accessible communication in a variety of formats including for people who are speakers of community languages, who require Easy Read versions, who speak BSL, read Braille or use Audio formats.

NHS Fife SMS text service number 07805800005 is available for people who have a hearing or speech impairment.

To find out more about accessible formats contact:

fife-UHB.EqualityandHumanRights@nhs.net or phone 01592 729130

## **NHS Fife**

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**Meeting:** Audit and Risk Committee

**Meeting date:** 12 December 2024

**Title:** NHS Fife Board's Risk Appetite Statement

**Responsible Executive:** Margo McGurk, Director of Finance & Strategy, NHS Fife

**Report Author:** Alistair Graham, Director of Digital and Information  
Dr Shirley-Anne Savage, Associate Director for Risk and Professional Standards

## Executive Summary

- The Board risk appetite was previously reviewed and agreed in June 2022.
- It was felt that a robust review of the current risk appetite statement within the current operating framework of NHS Fife was necessary.
- Through Board development sessions we aimed to develop a consensus on risk appetite against strategic ambitions, the corporate risk register and risk descriptors.
- The updated risk appetite was approved by the Board on the 26 November 2024.
- Members are asked to note the updated Risk Appetite statement as approved by the Board.

## 1 Purpose

**This report is presented for:**

- Assurance

**This report relates to:**

- Annual Delivery Plan
- Emerging issue
- Local policy
- NHS Board / IJB Strategy or Direction / Plan for Fife
- NHS Fife Board Strategic Priorities
  - To Improve Health & Wellbeing
  - To Improve Quality of Health & Care Services
  - To Deliver Value and Sustainability
  - To Improve Staff Experience and Wellbeing

**This report aligns to the following NHSScotland quality ambition(s):**

- Safe
- Effective

- Person Centred

## 2 Report summary

### 2.1 Situation

The Board risk appetite was previously reviewed and agreed in June 2022. It was felt that a robust review of the current risk appetite statement within the current operating framework of NHS Fife was necessary. Through Board development sessions we aimed to develop a consensus on risk appetite against strategic ambitions, the corporate risk register and risk descriptors.

### 2.2 Background

NHS Fife's Risk Management Framework acts as a key reference point for NHS Fife staff and non-executive directors in identifying, reporting, and managing organisational risks. It sets out the principles, core processes, responsibilities, and accountabilities for this aspect of our corporate governance.

The Board has overall responsibility for internal control within NHS Fife. The Board discharges this responsibility by:

- determining the acceptable level of risk for the organisation: its 'risk appetite'
- maintaining an awareness of the risk exposure and risk profile of the organisation
- receiving an update on the Corporate Risk Register at appropriate intervals
- approving major decisions affecting the organisation's risk profile or exposure
- seeking assurances from the Audit and Risk committee as to the operation of the risk management structures within NHS Fife, and
- approving any changes or improvements to key elements of its processes and procedures for risk management.

Through meetings of the Executive Team, and Board Development Sessions, consideration was given to how risk appetite is described in the organisation. Previous measures had used a three-point scale of low, moderate and high.

- Low – Regarding statutory functions, we have very little appetite for risk, loss, or uncertainty. We are prepared to accept low levels of risk, with a preference for ultra-safe delivery options, while recognising that these will likely have limited or no potential for innovative opportunities.
- Moderate - Prepared to accept modest levels of risk to achieve acceptable, but possibly unambitious outcomes and limited innovation.
- High - Willing to consider and / or seek all delivery options (original / ambitious / innovative) and accept those with the highest likelihood of successful outcomes, in pursuit of objectives even when there are elevated levels of associated risk.

A four-point model has now been proposed:

- Averse – Avoidance of risk and uncertainty is a key organisational objective.
- Cautious – Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
- Open - Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).
- Hungry – Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.

Additionally, it is important to ensure alignment with our strategy development work and our RTP programme. NHS Fife’s Population Health and Wellbeing Strategy (2022-2027) has established an organisational purpose to support people “Living Well, Working Well and Flourishing in Fife”.

It is understood that it is not possible to eliminate all inherent risks in the delivery of health and care and Boards must be willing to accept a certain degree of risk when it is in the best interests of the organisation, and ultimately, the population of Fife and people we serve.

## **2.3 Assessment**

### **Current Risk Appetite**

Previously the Board considered the level of risk it is prepared to tolerate and where appropriate treat to ensure delivery against the agreed four strategic priorities within the strategy, this is described below.

### **Improving health and wellbeing**

The Board currently has a high-risk appetite in this domain.

We are willing to consider original, ambitious, and innovative delivery options and accept those worth the highest likelihood of outcomes in influencing improvements in population health. We will proactively engage and involve stakeholders in the design and delivery of services to meet their needs and explore transformational and sustainable change to align with our strategic ambition in this domain.

We will seek to maximise our influence on tackling social determinants of health through our ambitious strategy, and through contributing to the local population as an Anchor institution.

## **Improving the quality of health and care services**

The Board currently has a moderate risk appetite in this domain.

We acknowledge that healthcare operates within a highly regulated environment, and we must meet high levels of compliance expectations in line with national standards and various regulatory sources. We will endeavour to meet those expectations within a framework of prudent controls, balancing the prospect of risk elimination against pragmatic, operational imperatives.

Our focus is on delivering core health and care services safely. However, with the opportunity of potentially improved outcomes, where appropriate controls are in place, the Board may decide to accept risk and adopt innovative approaches in pursuit of these.

## **Improving staff experience and wellbeing**

The Board currently has a moderate risk appetite in this domain.

We acknowledge the standard of expectations placed on the Board and individuals in relation to Staff Governance Standards with no intent to deviate, and we are committed to Partnership working.

Our Workforce Strategy identifies the current and anticipated future workforce challenges the Board needs to address and defines the type of organisation and employer we aspire to be. We acknowledge the innovation required to attract and retain the right people with the right skills and values to deliver our strategic ambition.

## **Delivering value and sustainability**

The Board currently has a moderate risk appetite in this domain.

We acknowledge our requirements to adhere to Standing Financial Instructions, and financial statutory duties, as well as maintenance of robust financial controls, including our statutory responsibility to maintain the financial balance and sustainability of the organisation.

In relation to investments, we understand we are accountable for the delivery of best value and efficiency in resource allocation. Therefore, capital investment and planning to enhance and develop services will require to demonstrate 'value added'. Realising benefits and efficient resource allocation are key drivers in making financial decisions and opportunities.

We recognise our ambition to achieve 'Net-Zero' status in line with Scottish Government direction. We realise this will require changes to the way we work and deliver services to maximise our reduction in our carbon footprint and maximise benefit to the environment.

## New Risk Appetite

The Board and the relevant Board committees will not accept risks with an assurance level of less than moderate (no appetite for none or limited assurance). A higher level of scrutiny will be applied to risks and associated mitigation plans where the level of assurance is none or limited, until a minimum of moderate assurance is agreed. (Tolerate moderate assurance).

The risk appetite aligns to the strategic priorities within our four-point model as outlined below:

<b>Hungry</b>	Eager to be innovative and chose options offering potentially high despite greater inherent risk.	Improving health and wellbeing
<b>Open</b>	Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).	Improving the quality of health and care services Improving staff experience and wellbeing Delivering value and sustainability
<b>Cautious</b>	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.	
<b>Averse</b>	Avoidance of risk and uncertainty is a key organisational objective.	

The diagram below shows where each of the corporate risks would fall in terms of this model:

Corporate Risks Aligned to Hungry risk appetite: -

<b>Hungry</b>	Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.	Improving health and wellbeing 1) Population Health and Wellbeing Strategy 2) Health Inequalities 4) Policy obligations in relation to environmental management and climate change 5) Optimal Clinical Outcomes 21) Pandemic Risk
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## Corporate Risks Aligned to Open risk appetite: -

Open	Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).	Improving the quality of health and care services	Improving staff experience and wellbeing	Delivering value and sustainability
		6) Whole System Capacity 7) Access to outpatient, diagnostic and treatment services 8) Cancer Waiting Times 9) Quality and Safety 10) Primary Care Services 19) Implementation of Health and Care (Staffing) (Scotland) Act 2019	11) Workforce Planning and Delivery 12) Staff Health and Wellbeing	13) Delivery of balanced in year financial position 14) Delivery of recurring financial balance over the medium-term 15) Prioritisation & Management of Capital funding 17) Cyber Resilience 18) Digital and Information 20) Reduced Capital Funding

This updated risk appetite was presented to the Board at their meeting on the 26 November 2024 and given approval.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		x		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

Elevating the profile of risk management in NHS Fife will further support delivery of our strategic priorities through improved operational governance and better alignment with the Population Health and Wellbeing Strategy and associated work streams.

### 2.3.2 Workforce

Effective management of workforce risks will support staff health and wellbeing, and the quality of health and care services.

### 2.3.3 Financial

This paper does not raise, directly, financial impacts, but these do present significant elements of risk for NHS Fife to consider and manage in pursuit of our strategic priorities.

### 2.3.4 Risk Assessment / Management

Confirming the risk appetite of the Board a key enabler to progressing an effective risk management framework and culture in the organisation to support the achievement of the strategic priorities.



### **2.3.5 Equality and Diversity, including health inequalities and Anchor Institution ambitions**

An impact assessment has not been conducted however all significant decisions of the Board include an assessment against risk appetite and will involve an impact assessment at programme or initiative level.

### **2.3.6 Climate Emergency & Sustainability Impact**

This paper does not raise, directly, issues relating to climate emergency and sustainability. These items do form elements of risk for NHS Fife to manage.

### **2.3.7 Communication, involvement, engagement and consultation**

Development of the refreshed risk appetite statement has involved engagement with the EDG and the NHS Fife Board.

### **2.3.8 Route to the Meeting**

- Board Development Session 8 April 2024
- Board Development Session 25 June 2024
- Executive Directors' Group 7 November 2024
- NHS Fife Board 26 November 2024 - Approved

## **2.4 Recommendation**

Members are asked to take a “**moderate**” level of assurance from the updated Risk Appetite Statement.

## **3 List of appendices**

- Appendix 1 Risk Appetite Statement, November 2024

### **Report Contacts**

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# NHS Fife Risk Appetite Statement

November 2024

NHS Fife's Population Health and Wellbeing Strategy (2022-2027) sets an organisational vision that the people of Fife live long and healthy lives. This strategic framework, developed by our staff and built on our vision and values details how our priorities will link to National Care Programmes, underpinned by system enablers. It is also important that the risk appetite is aligned to our Reform, Transform and Perform (RTP) Programme.

The Board recognises that it is not possible to eliminate all the risks which are inherent in the delivery of health and care and is willing to accept a certain degree of risk when it is in the best interests of the organisation, and ultimately, the population of Fife and people we serve. The Board has therefore considered the level of risk that it is proposed to accept for key aspects of the delivery of health and care, and these are described in line with our four organisational aims.

Therefore, the Board and the relevant Board committees will not accept risks with an assurance level of less than moderate (no appetite for none or limited assurance). A higher level of scrutiny will be applied to risks and associated mitigation plans where the level of assurance is none or limited, until a minimum of moderate assurance is agreed. (Tolerate moderate assurance).

To ensure a common understanding of 'levels' of risk appetite, the following definitions have been adopted by the NHS Fife Board.

- Averse – Avoidance of risk and uncertainty is a key organisational objective.
- Cautious – Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
- Open - Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).
- Hungry – Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.

The risk appetite aligns to the strategic priorities within our four-point model as outlined below:

<b>Hungry</b>	Eager to be innovative and chose options offering potentially high despite greater inherent risk.	Improving health and wellbeing
<b>Open</b>	Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).	Improving the quality of health and care services Improving staff experience and wellbeing Delivering value and sustainability
<b>Cautious</b>	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.	
<b>Averse</b>	Avoidance of risk and uncertainty is a key organisational objective.	

The diagram below demonstrates where each of the corporate risks would fall in terms of this model:

<b>Hungry</b>	Eager to be innovative and chose options offering potentially higher business rewards, despite greater inherent risk.	Improving health and wellbeing		
		1) Population Health and Wellbeing Strategy 2) Health Inequalities 4) Policy obligations in relation to environmental management and climate change 5) Optimal Clinical Outcomes 21) Pandemic Risk		
<b>Open</b>	Willing to consider all potential delivery options and chose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc).	Improving the quality of health and care services	Improving staff experience and wellbeing	Delivering value and sustainability
		6) Whole System Capacity 7) Access to outpatient, diagnostic and treatment services 8) Cancer Waiting Times 9) Quality and Safety 10) Primary Care Services 19) Implementation of Health and Care (Staffing) (Scotland) Act 2019	11) Workforce Planning and Delivery 12) Staff Health and Wellbeing	13) Delivery of balanced in year financial position 14) Delivery of recurring financial balance over the medium-term 15) Prioritisation & Management of Capital funding 17) Cyber Resilience 18) Digital and Information 20) Reduced Capital Funding

**Meeting:** Audit & Risk Committee

**Meeting date:** 12 December 2024

**Title:** Integrated Joint Board Annual Statement of Assurance

**Responsible Executive:** Lynne Garvey, Director, Health and Social Care

**Report Author:** Vanessa Salmond, Head of Corporate Governance and IJB Secretary

## Executive Summary:

- The report provides moderate assurance to the Audit & Risk Committee that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2023-24.
- The Committee should be assured by the Lessons Learned Finance Report and associated action plan which will further strengthen financial grip and control.

## 1 Purpose

**This report is presented for:**

- Assurance

**This report relates to:**

- Government policy / directive
- Legal requirement

**This report aligns to the following NHSScotland quality ambition(s):**

- Effective

## 2 Report summary

### 2.1 Situation

The purpose of this report is to present the IJB Annual Internal Audit Report for 2023-24 to the NHS Audit & Risk Committee as requested. This provides the opinion of the Chief Internal Auditor on the IJB's arrangements for risk management, governance, and control, based on Internal Audit work undertaken.

### 2.2 Background

The Fife IJB Annual Internal Audit Report 2023-24 is attached at Appendix 1. This report provides an independent view of the overall adequacy and effectiveness of the framework of governance, risk management, and control, within the IJB. In turn this informs the compilation of the IJB's draft Annual Governance Statement.

### 2.3 Assessment

The main conclusion made by Fife IJB's Chief Internal Auditor is that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2023-24 in the following areas:

- Corporate Governance
- Clinical and Care Governance
- Staff Governance
- Information Governance

It was noted that although the IJB did have financial governance controls in place, in the opinion of the Chief Internal Auditor, these were not effective in all areas. A Lessons Learned Financial Movement report has been developed which identifies improvement actions to be taken to further strengthen controls already in existence.

Following review of the corrective actions as described in the Lessons Learned Financial Movement report, the Chief Auditor's opinion is that these are appropriate and proportionate.

Based on a review of the 2023-24 Governance Statement, Internal Audit did not have any concerns around the following:

- Consistency of the Governance Statement with information that we are aware of from our work.
- The format and content of the Governance Statement in relation to the relevant guidance.
- The disclosure of all relevant issues.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		X		
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

Delivering robust governance across the organisation is supportive of enhanced patient care and quality standards.

### 2.3.2 Workforce

There are no workforce implications arising directly from this report.

### 2.3.3 Financial

The production and review of year-end assurance statements are a key part of the financial year-end process.

### 2.3.4 Risk Assessment / Management

Risk Management is considered as part of the overall effectiveness of Governance Arrangements.

### 2.3.5 Equality and Human Rights, including children's rights, health inequalities and Anchor Institution ambitions

An EqlA has not been completed and is not necessary, as there are no EqlA implications arising directly from this report.

### 2.3.6 Climate Emergency & Sustainability Impact

There are no Climate Emergency & Sustainability impacts arising directly from this report.

### 2.3.7 Communication, involvement, engagement and consultation

There were no communication/engagement activities required in development of this report.

### 2.3.8 Route to the Meeting

This paper has been previously considered by the IJB Audit and Assurance Committee.

## 2.4 Recommendation

This paper is provided to members for:

- Assurance – This report provides a “**moderate**” level of assurance to the Audit & Risk Committee.

## 3 List of appendices

The following appendices are included with this report:

- Appendix No. 1, IJB Annual Internal Audit Report 2023-24

### Report Contact

Vanessa Salmond

Head of Corporate Governance and IJB Secretary

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# FTF Internal Audit Service

## **Fife IJB Annual Report 2023/24 (incorporating Report F05/24 - Internal Control Evaluation 2023/24)**

**Issued To:** F McKay, Interim Chief Officer  
A Valente, Chief Finance Officer

V Salmond, Head of Corporate Governance and IJB Secretary

A Sweeney, Audit Follow-Up

Fife IJB Audit and Assurance Committee  
External Audit



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Draft Report Issued	Summary report - 21 June 2024 Full report – 2 September 2024
Management Responses Received	10 September 2024
Target Audit & Assurance Committee Date	13 September 2024
<b>Final Report Issued</b>	<b>11 September 2024</b>

## EXECUTIVE SUMMARY

1. The Fife IJB Internal Audit Plan is based on a joint risk assessment by Internal Audit and the Chief Finance Officer and approved by the Audit and Assurance Committee. On a cyclical basis, it provides coverage of all key risks and aspects of governance including Corporate, Clinical, Staff, Financial and Information Governance. Internal Audit is also required to provide the Audit & Assurance Committee with an annual assurance statement on the adequacy and effectiveness of internal controls.
2. Together, the mid-year Internal Control Evaluation (ICE) and the Annual Report provide assurance on the overall systems of internal control, incorporating the findings of any full reviews undertaken during the year and providing an overview of areas which have not been subject to a full audit. These reviews do not and cannot provide the same level of assurance as a full review but do provide insight into the systems which have not been audited in full.
3. The Integrated Resources Advisory Group guidance outlines the responsibility of the Integration Joint Board (the IJB) to establish adequate and proportionate internal audit arrangements for review of the adequacy of arrangements for risk management, governance, and control of the delegated resources.
4. This guidance states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control. To inform this review and the preparation of the Governance Statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control.

## OBJECTIVE

5. The Annual Report 2023/24 (incorporating the ICE) is a holistic overview of governance within Fife IJB. The principal objective of this review is to provide assurance that there is a sound system of internal control that supports the achievement of the IJB's objectives. It considered:
  - Corporate Governance
  - Clinical Governance
  - Staff Governance
  - Financial Governance
  - Information Governance
6. The 2023/24 Annual Internal Audit Report should inform the IJB's judgment on the Governance Statement.

## GOVERNANCE STATEMENT AND CONCLUSION

7. Fife IJB has produced a draft Governance Statement for 2023/24 which reflects their own assessment of areas for development, setting out several actions to further strengthen governance arrangements. Internal Audit has reviewed and provided commentary on the Governance Statement. The draft Governance Statement states that:

*'In reaching a balanced financial position for 2023-24, the IJB utilised reserves, resulting in a reserves balance below the policy minimum. In addition, to continue to meet their statutory obligation to deliver financial balance NHS Fife increased their brokerage request to Scottish Government. As a result, both partners were required to provide funding as per the risk share agreement contained within Section 8.2 of the Integration Scheme.'*

*The above compounds the level of risk the IJB will be exposed to in relation to financial sustainability in future years.*

*Strong financial management will be required in order to control and contain costs where possible, recognising that the Health and Social Care Partnership has drawn down significant reserves during 2023-24 to mitigate areas of pressure. The Council continues to replace a number of legacy systems and during the year, the social work/social care case system transferred from SWIFT to Liquidlogic. The system which is required to provide an accurate record management system for service users across social work children and families, adults, older people, and criminal justice. The system also has a payment recording system called Controcc which links to Fife Council's Oracle system. The focus has been on implementation and to deal with issues arising from implementation, and this has meant that the data in the system is not yet reliable for financial forecasting. The coming year will see more focus on ensuring that the value of using a more modern system is maximised, and that the integrity of the data is improved to allow improved financial forecasting processes.*

*Recognising the movement in the outturn position a commitment has been given to undertake further due diligence by way of a lessons learned exercise which will report back any findings and associated action plan to Finance, Performance and Scrutiny Committee in the new financial year.*

*A suite of whole system measures will be implemented to strengthen controls and reduce risk where possible. A key component to the success of this mitigation is the ongoing dialogue between the Chief Finance Officer and Directors of Finance from both NHS Fife and Fife Council.'*

8. *The Fife IJB draft Governance Statement concluded that 'On the basis of assurances provided, we consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact'. Systems are in place to regularly review and improve the internal control environment. We remain committed to monitoring implementation as part of the next annual review. It is our opinion that reasonable assurance, subject to the matters noted above, can be placed upon the adequacy and effectiveness of the Fife Integration Joint Board's systems of governance'.*
9. *Fife IJB is in an interdependent relationship with both partner bodies in which the controls in place in one body inevitably affect those in the other.*
10. *The NHS Fife Governance Statement concluded that 'During the 2023/24 Financial Year, there was one significant failure of internal control, related to a data breach / unauthorised release of patient-related information.... An update on all actions undertaken by the Board in response to the Reprimand is due to be submitted to the Information Commissioner in June 2024 and as such, at the time of writing, full assurance cannot be given that the Board's actions have fully addressed the original weaknesses in the control environment. Following the review and the action taken by the Information Commissioner's Office, the Board assessed the incident matched the requirements for disclosure'.*
11. *The Fife Council Governance Statement concluded that 'We consider that the governance, risk management and internal control environment operating within 2023-24 provides reasonable assurance and the actions identified in section 4 will address the governance issues that have been highlighted in this year's review. We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and once implemented, will further enhance our corporate governance, risk management and internal control arrangements'.*
12. *The Fife Council Governance Statement comments on the transfer from SWIFT to Liquidlogic, and this narrative is replicated in the Fife IJB Draft Governance Statement.*
13. *The audited IJB accounts are scheduled for sign off at the September 2024 IJB, providing the opportunity for the IJB to review any issues of interest to them included in either of the partners' year end conclusions on governance.*

14. As Chief Internal Auditor, this Annual Internal Audit Report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2023/24.

15. Based on the work undertaken, I have concluded that:

**Reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2023/24 in the following areas:**

- Corporate Governance
- Clinical and Care Governance
- Staff Governance
- Information Governance

**The IJB did have financial governance controls in place but these were not effective in all areas. The Lessons Learned Financial Movement Review highlighted areas where controls were not sufficient to mitigate risk, alongside existing controls, and corrective action.**

**In my opinion, the corrective actions as described in the Lessons Learned Financial Movement Review presented to the 3 July 2024 FPSC are appropriate and proportionate. Internal audit did not audit the Lessons Learned Financial Movement Review as this is out with the scope of this annual report.**

16. In addition, based on my review of the latest Draft 2023/24 Governance Statement, provided to me on 30 August 2024, I have not advised management of any concerns around the following:

- Consistency of the draft Governance Statement with information that we are aware of from our work.
- The format and content of the draft Governance Statement in relation to the relevant guidance.
- The disclosure of all relevant issues.

17. The audited accounts are scheduled for sign off at the September 2024 IJB, providing the opportunity for the Chief Internal Auditor to consider the outcome of the Due Diligence exercise and any resulting updates in the 2023/24 Governance Statement.

## RISK

18. Whilst there is no overarching corporate/strategic risk relevant to this review, our audit specifically considered whether governance arrangements are sufficient, either in design or in execution, to control and direct the organisation to ensure delivery of sound strategic objectives.

## INTERNAL CONTROL

19. The IJB previously approved the appointment of Fife, Tayside and Forth Valley Internal Audit (FTF) as the IJB's Internal Auditors. 2024/25 is the fourth year of FTF providing the Internal Audit Service, including the Chief Internal Auditor role.

20. The Audit and Assurance Committee (AAC) has approved the Internal Audit Charter, which is reviewed and approved by the AAC annually. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). An External Quality Assessment of Internal Audit will take place during 2024/25.

21. The 2023/24 Internal Audit Plan was approved by the AAC on 13 September 2023. Audit work undertaken has been sufficient to allow the Chief Internal Auditor to provide their formal opinion on the adequacy and effectiveness of internal controls.

22. The 2024/25 Internal Audit Plan was approved by the AAC on 17 May 2024.

23. To inform our assessment of the internal control framework, we complete a governance checklist based on requirements of the Integration Scheme, guidance issued by the Scottish Government to support Health and Social Care Integration and best practice. The checklist is cross referenced to the requirements of the CIPFA 'Delivering Good Governance in Local Government Framework 2016' and supporting guidance notes for Scottish Authorities.
24. The Quality & Communities Committee, Finance, Performance & Scrutiny Committee, and the Audit & Assurance Committee Annual Assurance Statements for 2023/24 were presented to the 31 May 2024 IJB and all concluded positively, the content having been previously considered by the committees.
25. Ongoing and required developments and recommended actions are included at Section 2.
26. Our follow up work showed that, of the five recommendations from our 2022/23 Annual Report, four were completed and one is progressing and planned for completion by end of June 2024:

Recommendation	Current position
Development of an action plan to improve Complaints performance (December 2023).	Complete
Development of risk appetite and Fife Risk Management Strategies are in lie with the Integration Schemes (October 2023).	Revisions to SBAR currently being considered. Work is ongoing with NHS colleagues as they are in the process of reviewing their Risk Management framework.  Report taken to AAC on 15 March 2024 with recommendations for the development of risk appetite. IJB is linked in to partner bodies risk groups.  Revised action by date: March 2025
Resilience Assurance Group workplan enhancement including a formal assessment of compliance against the Civil Contingencies Act (October 2023).	Complete
Review of the Primary Care strategic risk (November 2023).	Complete
Review and update of the Information Sharing Agreement (March 2024)	Complete

27. In this report, we have provided an update on progress to date and, where appropriate, built on and consolidated previous recommendations to allow refreshed action and completion dates to be agreed. This has culminated in four recommendations for which Management have agreed actions to progress by year end.

## KEY THEMES

28. Detailed findings are shown later in the report. Key themes emerging from this review and other audit work during the year and the need to ensure sustainable services are detailed in the following paragraphs.
29. The Audit Scotland report – NHS Scotland 2023, issued February 2024, stated that *‘significant service transformation is required to ensure the financial sustainability of Scotland’s health service. Rising demand, operational challenges and increasing costs have added to the financial pressures on the NHS and, without reform, its longer-term affordability. The NHS, and its workforce, is unable to meet the growing demand for health services. Activity in secondary care has increased in the last year but it remains below pre-pandemic levels and is outpaced by growing demand. This pressure is creating operational challenges throughout the whole system and is having a direct impact on patient safety and experience.’* Internal Audit have recorded similar concerns and highlighted the strategic changes required. The financial risk for Fife IJB and across the public sector has continued to increase.
30. The environment is both exceptionally complex and extremely challenging, particularly in terms of finance and workforce and there is no guarantee that arrangements being put in place can or will mitigate the associated risks to acceptable levels.
31. The financial forecast for Fife Health & Social Care Partnership (HSCP) at 31 March 2024 was a provisional deficit of £5.578m, subject to audit. This is after further use of the remaining £16.004m HSCP balances in reserves, in line with section 8.2 of the Integration scheme.
32. The £5.578m provisional overspend position requires to be funded through the risk share agreement, which stipulates that any remaining overspend is to be funded 62% from NHS and 38% from Fife Council.
33. Based on the current provisional outturn, £12.173m of the reserves balance of £16.004m is to be utilised and £0.900m was carried forward as current policy for Flu/Covid vaccinations, leaving a balance of £4.731m for specific commitments. There will be no reserves available for general use, which is well below the 2% policy minimum.
34. There was an unexpected movement in the IJB financial position in the final quarter of the year and the Lessons Learned Financial Movement Review was carried out to provide assurance in relation to financial controls in place and, working alongside partner organisation finance teams, to review and report back on any corrective actions.
35. The outcome was reported to the Finance Performance and Scrutiny Committee (FPSC) on 3 July 2024. Management have informed us that the Lessons Learned Financial Movement Review report has been shared with partners and it will be presented to a IJB Development event on 17 September 2024, alongside an action plan, which we have been informed has already been developed and will be shared with partners.
36. In our opinion, the corrective action set out in the Lessons Learned Financial Movement Review reflects a culture of continuous improvement, which now needs to be embedded.
37. External Audit have provided independent scrutiny as part of their wider scope work and their findings are included in the draft external audit annual report 2023/24 as follows.

*‘We have reviewed the report from the lessons learned review into the movements in financial projections in the final quarter of 2023/24 as part of our wider scope audit work on financial management.*

*We have fed back our comments on the report to the IJB Chief Finance Officer and can confirm that there is nothing in the report which is inconsistent with our knowledge gained from our audits of the IJB or either of the other partner bodies.*

38. *The proposed corrective actions seem reasonable and appropriate, and we are satisfied that a root cause analysis of the main issues leading to the overspends in each partner body has been carried out. We have not audited the content of the root cause analysis but have seen evidence that it has been appropriately undertaken’.*
39. The provisional 2023/24 outturn position will have a significant impact on the savings that will be required to ensure financial balance from 2024/25 onwards. Management has advised that work is underway to assess this impact and a recovery plan will be presented to the September 2024 FPSC and IJB meetings for approval.
40. The financial challenge faced by the IJB is significant and there will need to be a clear focus on financial sustainability, especially given an environment in which it is by no means certain that partner bodies would be willing or necessarily able to resource any overspend by the IJB.
41. In these circumstances monitoring of the implementation of the Strategic Plan will be fundamental. In particular there will need to be a focus on transformation and change i.e. what Fife IJB will do differently to be able to deliver its strategic objectives within serious financial constraints and whether that transformation is delivering improvements (including financial savings) sufficient to enable sustainable services.
42. Management should clearly set out how the IJB will receive assurance, including assurance over transformation. There should be absolute clarity over the extent to which the strategy will deliver recurrent savings of the magnitude required. An update report on transformation and related savings is scheduled for presentation to the September IJB.
43. Achievement of savings of the magnitude required will require a significant transformation programme accompanied by clear prioritisation. This will mean making difficult choices and a clear focus on financial sustainability.
44. The partners are required to comply with directions received from the IJB, in line with the Integration Scheme and as described in the Fife IJB Directions Policy. As described in the financial governance section of this report, NHS Fife did not action a Direction which required funds to be transferred from NHS Fife to Fife Council to ensure financial balance across the totality of the IJB resources and reserves were utilised to ensure financial balance.
45. Partners will need to work together to ensure that they deliver on the integration agenda and must ensure they are clear on their responsibilities in line with the Integration Scheme, and that they fulfil their roles accordingly in the true spirit of integration.
46. Key developments since the issue of our 2022/23 Annual Report included approval of:
  - Formal risk appetite statement
  - MSG self-evaluation
  - Board and Committee Self-Assessments and Action Plans
  - Annual Performance Report 2022/23
  - Revised Performance Framework with evolving performance reporting
  - The Resilience Framework
  - The year 2 Workforce Plan
  - Directions Policy
  - Committee Assurance Principles by the AAC and introduction of Chairs’ Assurance Reports in May 2024
  - Primary Care Strategy and Primary Care Implementation Plan



- Alcohol and Drug Partnership Strategy 2024 to 2027
- Annual Review of Best Value for 2022/23
- Digital Strategy
- Records Management Annual Report 2023 (considered)

## ACTION

47. The action plan has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

## ACKNOWLEDGEMENT

48. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

**J Lyall BAcc (Hons) CPFA**

**Chief Internal Auditor**



## CORPORATE GOVERNANCE

## Strategic risks:

- **Primary Care Services** - There is a risk that the funding and resourcing of the Primary Care services is insufficient to provide a sustainable service and ensure delivery of quality services and the outcomes of the Strategic Plan. Current score: High – 16, target score: Medium – 8.
- **Demographic/Changing Landscape Impacts** - There is a risk that the IJB will not be able to deliver the outcomes of the Strategic Plan due to the impact of demographic changes, population growth, financial pressures and the changing landscape of Health and Social Care. Current score: High – 16, target score Medium – 12.
- **Contractual /Market Capacity** - There is a risk of significant partner failure in the third or independent sector leading to reduced ability to provide care services. This risk may be compounded by the impacts of Brexit, Covid 19 and winter pressures and cost of living and fuel cost pressures. Current score: Medium – 12, target score Medium – 9.
- **Whole System Capacity** - There is a risk that there may be insufficient capacity across Fife's Health and Social Care system to allow enough flexibility to meet the requirements of patients/service users and the organisation and support timely discharge/flow. This could lead to an increased delay position, suboptimum use of beds and impact on admissions. This in turn may impact on person centred care, delivery of Strategic Plan outcomes and potentially presents reputational exposure. Current score: Medium – 12, target score Medium – 8.
- **Strategic Plan-** ability to deliver service change and reinvestment: There is a risk that the effect of our strategic plan will be limited by capacity, engagement and decision making which will impact on our ability to achieve change. This will be compounded, both financially and operationally, by the impacts of cost-of-living pressures and capacity of workforces to deliver. Current score: Medium – 12, target score Medium – 8.
- **Transformation / Change** - There is a risk that the transformation change programmes do not meet the desired timescales or achieve the required outcomes which may impact on the quality and sustainability of services to meet the needs of the people of Fife. Current score: Medium – 12, target score Low – 6.
- **Resilience** - There is a risk that the IJB is unable to fulfil its statutory role as a Category 1 responder under the Civil Contingencies Act 2004, and link appropriately with partner bodies and multi-agency partners to ensure the ability to maintain critical HSCP services and provide support to the wider Fife Community. Current score: Medium – 10, target score: Medium – 8.
- **Governance** - There is a risk that the Governance arrangements, for the IJB and partner bodies, including the issuing and carrying out of Directions, are not clearly defined and collectively understood and may not produce sufficient assurance in terms of operational delivery, meeting key targets, and the aligning of services to strategic intentions, leading to concerns over delivery of the Strategic Plan outcomes, governance breaches, noncompliance issues and impact on the reputation of the IJB. There is an additional risk that governance arrangements may be impacted by the creation of the new National Care Service. Current score: Medium – 8 , target score: Medium – 8.

### Strategy

Internal audit F05-22 Strategic Planning was presented in full to the March 2024 Audit and Assurance Committee (AAC). The report provided Reasonable Assurance and concluded that whilst the Strategic Plan was substantially compiled in line with legislation and FTF internal audit strategy principles. The scale and volatility of the external environment and the ambition of the Strategic Plan itself, which proposes a significant number of developments without a corresponding diminution in other areas, means that it will be exposed to significant risk which will require careful, constant monitoring and the ability and willingness both to deliver substantial transformational change and to review and flex the plan as circumstances change.

The Strategic Plan is supported by the Annual Delivery Plan, including a high-level summary focusing on the delivery of the strategic priorities, and the top five priorities of the relevant supporting strategies. The Strategic Plan 2023-2026 'One Year Delivery Plan update' was approved by the IJB on 28 March 2024. The Year One Delivery Plan included fifty separate actions, of these:

- 52% had been fully completed,
- 40% were partially completed, and
- 8% were delayed until 2024. These actions related to the Dementia and Learning Disabilities Strategies.

The Year Two Delivery Plan sets out seventy-seven actions and was also approved at the March 2024 IJB meeting.

At their July 2023 meeting the IJB approved the Home First Strategy. Assurance was provided to the IJB that the Home First Strategy has been developed in line with the Medium Term Financial Strategy and had defined KPIs. At the same meeting the IJB also approved the Primary Care Strategy and the Carers Strategy 2023-2026. The IJB also approved the Primary Care Improvement Plan (PCIP), which underpins the General Medical Services component of the Primary Care Strategy.

### Risk Management

The Risk Management Policy and Strategy was endorsed by the March 2023 AAC prior to approval at the March 2023 IJB.

The Risk Management Annual Report 2024, presented to the May 2024 reported that four of the 10 actions in the delivery plan for the IJB Risk Management Policy and Strategy have been completed and with two in progress. The aim is to complete the remaining six over 2024/25.

In July 2023 the IJB approved the risk appetite statement and on 14 March 2024 the paper 'Risk Appetite in Decision Making' was presented to the AAC. When the IJB Risk Appetite statement was formally agreed in July 2023, it was the intention to apply it to all strategic risks and also to have more active consideration of risk appetite when considering risks related to decisions being taken by the IJB.

The risk appetite is applied to all strategic risks and the programme of deep dive risk reviews sets this out together with tolerance levels and the corresponding action to be taken for each individual risk. Risk appetite was also considered at a Quality & Communities Committee (QCC) development session in February 2024.

The March 2024 AAC paper set out a process for more active consideration and formal recording of risk appetite discussions and consideration of risk appetite at the earliest opportunity when considering risks related to decisions being taken by the IJB. It is proposed that these elements should be highlighted at an IJB development session. A template to support consideration of the key questions relating to risks and risk appetite was provided, aligned to the key risk impacts and the corresponding risk appetite as set out in the IJB Risk Appetite Statement.

The Strategic Risk Register (SRR) was presented to the 2 February 2024 IJB following presentation to the January 2024 AAC. There are currently four high level risks for:

- Finance
- Workforce
- Primary Care Services
- Demographic Landscape Impacts

In our opinion the target risk scores and dates appear challenging but reasonable. On 19 January 2024 the AAC had a discussion on the appropriateness of the target dates and scores, and they concluded they were reasonable and realistic. During further discussion at the March 2024 AAC it was agreed that appropriateness of scores should be delegated to Committees and the AAC focus should be on ensuring robust risk management systems and processes are embedded and functioning as expected.

Deep dive reviews on risks have been introduced and regularly presented to governance committees to facilitate effective management of risks. Engagement with the Risk Management Guidance for Managers is being progressed.

### Leadership

The Chief Officer will leave the organisation on 31 July 2024 and the current Fife Health & Social Care Partnership (HSCP) Head of Strategic Performance, Planning & Commissioning will be Interim Chief Officer while the post is out for recruitment. The May 2024 IJB approved interim arrangements and the recruitment and selection process for the permanent appointment of a Chief Officer.

### Performance

The Ministerial Strategic Group (MSG) for Health and Community Care Self Evaluation February 2024 was presented to the IJB on 28 March 2024. A previous Self-Evaluation Update (dated October 2023) was provided to the Finance, Performance and Scrutiny Committee (FPSC), and the IJB in November 2023.

At the request of the Chair, and to assist IJB members in understanding the process for self-evaluation for MSG and other items, members contributed to the self-evaluation at an IJB Development Session on 15 December 2023. Overall, the Partnership is making good progress with the integration proposals and is on track to deliver most of the agreed targets by end of 2024. There are two exceptions:

- Proposal 2.3 Delegated hospital budgets and set aside budget requirements must be fully implemented.
- Proposal 3.5. Improved capacity for strategic commissioning of delegated hospital services must be in place.

Delegated hospital budgets and set aside budget requirements remains a challenge Scotland wide.

The Annual Performance Report 2022/23 was presented to the IJB on 28 July 2023. We confirmed it covers the nine national Health & Wellbeing Outcomes and the five IJB priorities. The report is available on the HSCP website with an easy read and summary version available.

An updated Performance Framework was approved by the IJB on 29 September 2023. It reflects the need to efficiently and effectively drive service improvement, using new technology, streamlining reporting arrangements, providing deeper insight into our service delivery, underpinning, and driving service improvement and introducing quality management self-assessment tools.

The 'Performance Framework Delivery Plan 2023-2025' sets out 'actions required to deploy the revised framework, setting up infrastructure, rolling out the wider use of quality-based approaches to operational performance and refreshing the way reporting is undertaken'.

The performance reports to the February and May 2024 IJB meetings were in a simplified format, which continues to evolve. Members were informed that indicators will be developed through the creation of an SLT Performance Board, and a new format report will be introduced for future meetings. Initial proxy MSG Indicators were included for the first time to allow the inclusion of more timeous data to the IJB, to be further developed. The intent is to include additional mental health indicators to augment the three already in the report, likely to be Mental Health and Learning Disability Speciality Average Patients in delay per day and Mental Health Readmissions 28 days.

As reported to the May 2024 IJB, performance continues to be variable. Highlights included:

- Significant improvement in waiting times for care at home packages with a fall of 79% from February 2023 to February 2024.
- Delayed discharge (% of bed days lost) is currently 6.2% (1.2% above the target), however this is below the 24-month average.
- Waiting times for CAMHS (65.8%), Psychological Therapies (69.2%) and Drug and Alcohol waiting times (84.3%) are all below the 90% target.
- A&E seen within four hours was 71.5% in February 2023, below the 95% target.
- Health and social care absence rates have fallen to 11.2%, 0.8% less than February last year but still significant.
- 36% of complaints were responded to within the statutory timescale, 12% higher than February last year, but well below the 80% target.

### Governance arrangements

The Governance Manual was approved in September 2022 and is scheduled for revision and update in 2025.

The Fife HSCP website was updated in April 2024. IJB papers are available on the website but those of the Governance Committees are not publicly available. We have been informed that a decision was made not to publish duplicate papers that had been reported through both IJB and Committee. The IJB should consider if Committee papers should be publicly available, as is standard practice for many IJBs and for some partner organisations.

The Committee Assurance Principles were considered by the Assurance Senior Leadership Team (SLT) before being endorsed and recommended for use by the AAC, the IJB and other Governance Committees. It was agreed that these will be used as a prompt tool and a one-page summary document will be shared. This document can also be used as a tool in the members induction process. The principles will be distributed to the IJB committees for information. In addition, Chairs' Assurance reports now replace the current Chairs' Briefs reported to the IJB.

The Head of Corporate Governance and IJB Secretary meets regularly with IJB members and actively seeks comments and feedback on governance matters, including style and quality of reports. There is an IJB drop-in session to allow members to seek clarity and offer feedback on agenda items in advance of meetings.

As previously reported by Internal Audit the IJB received corporate support from both bodies, however no SLA is in place. There is regular tripartite dialogue between the Directors of Finance and the Chief Executives and Chief Officer, and corporate support arrangements are discussed through this mechanism.

### IJB and Committee Self-assessment

A revised approach to the self-assessment process was agreed by the IJB in September 2023 and members completed an electronic questionnaire which formed the basis of the 2023/24 action plans. The IJB and Assurance Committees action plans have been approved and progress / impact will be assessed in September 2024.

The IJB self-assessment provided positive feedback on the IJB's membership, authority, and resource to perform its role effectively. Members felt the IJB agenda was well managed and ensured all statutory topics within the Integration Scheme are appropriately covered.

The lowest rated statements related to the appropriateness (sufficient and not excessive) of information and data included within IJB papers and the need for improvement in members reflection at the end of meetings, and improvements have been included in the action plans.

The IJB approved their action plan on 2 February 2024. A regular, robust, and appropriate programme of IJB Development events is in place.

### **Audit and Assurance Committee (AAC)**

The AAC approved revised Terms of Reference on 8 November 2023 and approved the Committee self-assessment and action plan on 19 January 2024.

The AAC Annual Assurance Statement for 2023/24 was comprehensive and concluded clearly and positively on arrangements during the year.

During 2023/24 the Chief Internal Auditor has informed the AAC of risks around resource within the FTF internal audit team who deliver the IJB audit plan, and the steps being progressed to mitigate this risk. The 2024/25 Internal Audit Plan was agreed at the 17 March 2024 AAC. The Committee noted that tripartite discussion between the Chief Finance Officer and the partner's Directors of Finance would take place to determine if additional internal audit input can be made available.

### **Best Value**

The Best Value Annual Review 2022/23 was approved by the IJB on 23 November 2023, having previously been considered by the AAC. The report included references from the MSG Work Plan (October 2023), management of Strategic Risk Actions, Audit Recommendations, and highlighted evidence to demonstrate good practice and areas where improvement work was in progress.

No Best Value concerns were highlighted by Fife Council or NHS Fife within each of their respective Governance Statements for 2023/24.

### **Community Engagement**

The Participation and Engagement Strategy for Fife 2022-25 was approved in July 2022. As reported to the 30 June 2023 QCC, the guidance has since been reviewed to support a Human Rights based approach and to align with the care improvements and recommendations of the Independent Review of Adult Social Care. The Participation & Engagement Strategy continues to be in alignment with the Planning with People Guidance.

### **Locality Planning**

The Locality Planning Outcomes Progress Report presented to the 2 February 2024 IJB provided assurance on the work undertaken to deliver Locality Plans and summarised the outcomes achieved in 2023 and on-going actions being carried forward into 2024. The IJB agreed a locality planning two-year cycle instead of a one-year cycle, in alignment with the Strategic Plan 2023-2026 and Community Planning Partners in Fife Council.

### Effective Partnerships

The Communities and Wellbeing Partnership (CWP) is the strategic community planning partnership which has oversight of work to improve health and wellbeing and reduce health inequalities in Fife. The CWP is accountable for annual reporting to Fife Partnership Board on delivery of the 'Plan 4 Fife' ambitions, with clear targets and progress reporting linked to the work undertaken by the Partnership in localities. Fife IJB is a key contributor in providing this information and reports through the governance structure, as well as Chairing and Leading Sub-boards, including the Alcohol & Drugs Partnership Committee and Fife Children Services.

The Strategy update presented to the March 2024 IJB stated under Reimagining Third Sector Commissioning that by 2026 there will be 'An Outcome focussed approach to commissioning which supports all partners to work effectively together to create innovative, sustainable, support solutions, aligned to strategic priorities and local needs'. Management have informed us that new Service Level Agreements have been re-issued to each organisation to ensure they are outcome focused, assure collaboration, and support participation and engagement.

### Directions

The revised Directions Policy was approved at the AAC on 17 May 2024. Key revisions included:

- Enhanced governance arrangements to ensure that Directions are clearly associated with IJB decisions.
- More clarity around the trigger points for formulating and issuing Directions in response to service redesign, transformation, and financial developments.
- The addition of a flowchart which illustrates the process for formulating, approving, issuing and monitoring Directions.

The Directions tracker will be used as the template for monitoring progress on the delivery of each Direction on an annual basis. The FPSC will assume responsibility for maintaining an overview of progress with the implementation of Directions, requesting progress reports from NHS Fife and Fife Council, and escalating key delivery issues to the IJB.

### Category 1 Responders/Business Continuity

Internal audit F06/24 on Resilience and Business Continuity was issued on 26 February 2024 and was presented to AAC on 17 May 2024 in full. The report provided 'Reasonable Assurance' and Management have agreed robust action in response to the three recommendations.

### Whistleblowing

The Fife HSCP Whistleblowing Standards Part 8 Assessment was presented to the IJB on 28 July 2023. The report provided assurance that the approaches of Fife Council and NHS Fife were, where possible, aligned to meet the requirements of Part 8 of the Standards and set out actions to further strengthen delivery of Part 8 of the standards. The IJB approved enhanced governance reporting with quarterly reports on whistleblowing activity and progress of the working group presented to the SLT and the Local Partnership Forum and Annual Reports to the IJB. Assurance was also provided that the steps outlined address internal audit requirements.

The Whistleblowing Report April – December 2023 was noted for assurance by the 15 March 2024 AAC.

**National Care Service**

The timeline was extended to January 2024 for Stage 1 of the Bill with completion of Stage 2 by summer 2024. This was discussed with the Chief Officer and Chief Executives in August 2023, and it was agreed there will be no further change to set aside arrangements in Fife until there is national clarity on any pending reform. Management has provided assurance to the IJB that there continues to be strong team working and collaboration across NHS Fife, Fife Council, and Fife HSCP, on pathways of care and joint working in relation to unscheduled care, capacity, and flow. The impact on governance arrangements is referenced in the strategic Governance risk.



**Action Point Reference 1 - IJB Workplan****Finding:**

An action to 'Review previous years IJB workplan to identify any gaps and emerging issues. Chair's to collaborate on workplans and workflow from Committees to IJB. Create an IJB workplan for following fiscal year containing both statutory and other business items' is included in the IJB Self-Assessment Action Plan 2023/24, with a completion date of September 2024.

**Audit Recommendation:**

We recommend that the workplan should clearly show where items are planned, where they have not been presented as planned, where items have been rescheduled and the reason for any reschedule.

The design should ensure that, at a glance, the Committee can assess their progress with their workplan, to directly inform their annual assurance statement.

Fife IJB has approved several strategies during the year and monitoring of delivery of these should be included in the workplan.

In their self-assessment, members feedback was that they felt the IJB agenda was well managed and ensured all statutory topics within the Integration Scheme are appropriately covered. To ensure this is the case, a mapping exercise should be completed as part of the IJB work plan development, to ensure all required elements are included.

FTF assurance principles may be useful in developing the workplan.

**Assessment of Risk:**

Merits attention



There are generally areas of good practice.

**Action may be advised to enhance control or improve operational efficiency.**

**Management Response/Action:**

A digital reporting process has been developed for all Committee and IJB workplans which introduces consistency and strengthens reporting throughout our whole governance structure.

The tool records reports which are scheduled, presented, and deferred. It is currently being user-tested and it is envisaged to 'go-live' by the end of this calendar year.

An annual review, including a gap analysis of the IJB workplan is undertaken at the end of each year and identifies any statutory or business reporting omissions.

A review by members of the IJB workplan will be scheduled bi-annually.

**Action by:****Date of expected completion:**

Head of Corporate Governance and IJB Secretary

March 2025



## CLINICAL AND CARE GOVERNANCE

### Strategic Risks

**Clinical and Care Governance** - There is a risk that the IJB does not receive sufficient assurance to enable it to fulfil its statutory duty for C&CG, leading to negative impacts on the delivery of care to individuals, the Strategic Plan and damage to the reputation of the partner organisations and the IJB. Current score: Medium 12, target score: Low – 6.

**Adult and Child Protection** - There is a risk that the IJB does not receive sufficient assurance to enable it to fulfil its statutory duty for Adult and Child protection, leading to negative impacts for individuals and for multi-agency working and damage to the reputation of the partner organisations and the IJB. Current score: Medium - 10, target score: Low – 5.

### Clinical Governance Framework

Internal audit report F06/22 – Clinical and Care Governance was presented to the AAC on 8 November 2023. The report provided Reasonable Assurance and made five recommendations in the following areas:

- Clinical and Care Governance Assurance
- Risk Management and Performance
- Adult and Child Protection Risk Assurance
- Adult and Child Protection Reporting
- Fife HSCP Scheme of Delegation

Management agreed actions to address these internal audit recommendations, to be monitored through the audit follow up process.

Action is progressing to address internal audit recommendations associated with presentation of Quality Matters Assurance Group (QMAG) assurance reports to Quality & Communities Committee (QCC) and NHS Fife's Clinical Governance Oversight Group (CGOG), updating of strategic risks 10 & 11 to include SMART actions, reporting on risk management to QCC and the scheduling of presentation of the MAPPA report to QCC. As reported to the May 2024 AAC, the timeframe for completion of a number of elements of the recommendations have been extended.

IJB approval of the Clinical and Care Governance Strategic Framework was scheduled for January 2024 and was delayed to the May 2024 IJB meeting. The completion date for this action has again been extended to September 2024 to allow the content of the Framework to be reviewed by Internal Audit to confirm that it is consistent with recommendations.

### Quality & Communities Committee (QCC)

The first QCC Chair's Assurance report was presented to the 31 May 2024 IJB and provided assurance that the workplan was being fulfilled.

The QCC Annual Assurance Statement 2023/24 was comprehensive and concluded clearly and positively on arrangements during the year.

The QCC 2023/24 self-assessment resulted in an action plan including members to determine information they require for scrutiny purposes and to allow the Committee to provide robust assurance, to review and improve the quality of cover papers, and improve the operation of the committee.

A Quality Assurance Report is presented to each meeting of the QCC and includes matters discussed at the Fife HSCP Quality Matters Assurance Group, the purpose of which is to seek assurance from each portfolio that clinical and care governance is discharged effectively within the partnership whilst

meeting the statutory duty for the quality of care. It also covers discussion at the Quality Matters Assurance Safety Huddle including reporting on risks, adverse events, external visits and child and adult protection. At the May 2024 QCC meeting members requested further information on the number of adverse events.

The Chief Social Work Officer's Annual Report 2022/23 was reported at the January 2024 QCC meeting and, as in previous years, the cover paper sections on quality, customer care, workforce, financial and risk implications were not completed, which meant that important context was not provided. The report is designed to provide an overview of social work services within Fife and reflects the formal statutory responsibilities held by the role undertaken by the Chief Social Work Officer (CSWO) but, in common with many CSWO reports, could be further strengthened by providing overt assurance on service quality, the adequacy and effectiveness of key controls on the relevant Strategic Risks.

### External Inspections

The QCC has a standing agenda item for 'Legislative Requirements and Annual Reports'.

Assurance on progress with the Joint Inspection of Adult Services, undertaken between June and October 2022 was provided to the 28 March 2024 IJB, having been considered by the SLT and Governance Committees. The report confirmed that all identified actions had been completed and ongoing activities relating to embedding improvements would be monitored through existing assurance group arrangements.

On 2 February 2024 IJB noted the Chief Social Work Officer Annual Report 2022/23, the Director of Public Health Report 2023, and the Fife Child Protection Committee Annual Reports - 2021/22 and 2022/23.

### Complaints

As reported in the Performance Report Executive Summary presented to the 31 May 2024 IJB, for the February 2024 reporting period, 36% of complaints were responded to within the statutory timescale of 80%. It was reported that there was a higher volume of Stage 2 complaints closed and these are more complex in nature. During February 2024 the Partnership closed 39 complaints. This included 11 complaints closed by Social Care, and 28 complaints closed by NHS Fife. Of these, 22 (56%) were identified as Stage 1 complaints, and 17 (44%) were classified as Stage 2 complaints.

### Duty of Candour

The NHS Fife and Fife Council Duty of Candour reports 2022/23 were presented to the IJB for assurance on 31 May 2024.

## STAFF GOVERNANCE

### Strategic risks:

**Workforce** - There is a risk that the delegated bodies and partners across the system are unable to deliver some elements/aspects of the Workforce Strategy & Action Plan 2022 - 25. This risk may arise as a result of a wide range of internal and external factors; the challenge of retaining and recruiting staff across the system; the impact of a changing age demographic on the people of Fife and our workforce; the impact of the increased pressure across the workforce on mental health and wellbeing; challenges around leadership capability and impact on organisational culture. The impact of this risk may be an inability to deliver the objectives of the Strategic Plan due to reduced levels and quality of service, low staff morale and impact on our financial strategy. Current score: High – 16, target score: Medium – 12.

The November 2022 meeting of the IJB approved the Fife IJB Workforce Strategy and Action Plan 2022-2025 for submission to the Scottish Government by 30 November 2022. The year 2 Workforce Plan was endorsed by the IJB in November 2023.

Internal audit F05/23 Workforce Plan was presented to the AAC on 23 January 2024. The report provided Reasonable Assurance and made four recommendations in the following areas, three of which are not yet due for completion and one action relating to the Workforce Strategy Group that is complete:

- Reporting of the Workforce Action Plan through governance structure at least every six months.
- Update of the Workforce Strategy Group Terms of Reference to include monitoring and oversight of the annual action plans and inclusion of quoracy in the remit. This action has been completed.
- Communication to the SLT and committees on achieved outcomes, those that remain ongoing and outstanding actions to be rolled forward into the Action Plan for Year 2.
- Analysis and description of the establishment gap between the future workforce need and current staffing in terms of overall numbers to be reported to the IJB.

A deep dive of the workforce risk was presented to the 12 March 2024 FPSC. The risk score remained at 16 and the target at 12. In addition to the current controls, SMART actions (*'What else should we do?'*) have been identified and include extra capacity to collate and analyse real time workforce data for the third and independent sector, further enhancement of the Systems Leadership programme, iMatter and Wellbeing actions.

The Workforce Strategy Action Plan Year 2: Update was presented to the 31 May 2024 IJB for assurance. The paper reported the year 2 high priority actions that had achieved completion as planned and on time and provided an update on ongoing actions, as well as action to address recommendations from internal audit F05/23. Some actions have been reviewed or extended to accommodate changes to priorities that have taken place since the Action Plan was developed in 2023.

## FINANCIAL GOVERNANCE

### Strategic risk:

**Finance** - There is a risk that the financial resources available to the IJB may not be sufficient to deliver the integrated services as set out in the Strategic Plan. Current score: High – 20, target score: Medium – 12.

### 2023/24 Budget

The Revenue Budget 2023/24 and the Medium-Term Financial Strategy 2023-2026 (MTFS) were approved at the March 2023 Board meeting. The Revenue Budget element overtly highlighted the significant financial challenge ahead and new cost pressures.

The MTFS set out a potential financial gap totalling £34m to be met by savings over the period, as well as use of reserves in the first year to allow for savings to be developed and implemented. This savings programme was significantly higher than any that the IJB had successfully delivered previously.

### Provisional Outturn

The reported provisional financial position during 2023/24 is summarised below:

Variance	(Over) / underspend £m
May 2023	(4.751)
July 2023	(4.893)
September 2023	(1.468)
November 2023	(4.171)
January 2024	(6.725)
March 2024	(5.578)

The provisional overspend was:

	Variance £m
NHS Fife	13.978
Fife Council	3.773
<b>HSCP Total Provisional Overspend</b>	<b>17.751</b>
Use of IJB reserves available	(12.173)
<b>Risk Share balance</b>	<b>5.578</b>

### Financial Reporting

The projected overspend was transparently reported to the Board and the Finance, Performance and Scrutiny Committee (FPSC) throughout the year, as was the risk that savings may not be achieved on a permanent basis and reserves had been approved for use if required, to allow time for savings plans to be actioned. Reasons for the budget movement were quantified and explanations for variances explained. RAG assessed over / under achievement savings targets was clearly reported. However, the movement of circa £10m in the last quarter of the year was not reported to the FPSC until 24 June 2024. The FPSC was informed that £7.6m (70%) of the movement in the final quarter related to new transactions that took place in the last 3 months and therefore could not have been predicted.

Our 2022/23 Annual Report stated that financial papers including the MTFS and the Finance update did not provide direct, overt assurance on strategic risk 3 - Finance Risk and associated controls and actions. This remained the case in 2023/24 and, given the challenging financial position, we recommend closer monitoring of the finance risk. The strategic finance risk is currently scored at 20 – High and will be reviewed in September 2024.

The forecast Fife IJB 2023/24 provisional deficit of £5.578m, subject to audit, was reported to the extraordinary meeting of the FPSC on 17 June 2024. This was after further use of £12.173m of the remaining £16.004m HSCP balances in reserves, in line with section 8.2 of the Integration scheme. The provisional overspend position requires to be funded through the risk share agreement, 62% from NHS Fife and 38% from Fife Council.

Based on the provisional outturn reported, £12.173m of the reserves balance of £16.004m was to be utilised and £0.900m Flu / Covid vaccination monies was carried forward as directed by Scottish Government, leaving a balance of £4.371m for specific commitments. This means there will be no reserves available for general use, which is well below the 2% policy minimum.

The 17 June 2024 FPSC paper stated that *'When the budget was approved in March 2023 the direction to both partners included a transfer of funding from one organisation to the other to ensure financial balance was reflected across the IJB in totality. Throughout the year it has been reported that the transfer would be enacted, however this has not been the case and it has been necessary to utilise reserves to achieve financial balance. The money retained by NHS Fife has offset overspends in relation to GP Prescribing and Mental Health, the main reasons for overspends that the IJB is reporting at year end'*.

The risk that the March 2023 IJB Direction relating to the budget transfer between partners (£10.880m) had not been complied with, was not reported to the FPSC nor to the IJB until 17 June 2024.

The 17 June 2024 FPSC paper noted that there was a significant risk to the IJB in terms of non-compliance with governance, that the risk would remain under review, and the Chief Finance Officer would ensure open dialogue continues with a view to all budget transfers approved by the IJB being reflected in both partner organisations' financial ledgers.

The HSCP Total Provisional Overspend at 31 March 2024 was now £17.751m, compared to the reported position of a £6.725m overspend at 31 January 2024, a difference of £11.026m.

Initiating the risk share agreement to fund the overspend necessitated NHS Fife request from Scottish Government additional brokerage of £2.992 million, taking the NHS Fife total brokerage requested in 2023/24 to £14.005 million to continue to meet the Board's statutory obligation to deliver financial balance.

### **Financial movement in Quarter 3 of 2023/24 and Lessons Learned Financial Movement Review Report**

At their 17 June 2024 meeting the FPSC asked that a Lessons Learned Financial Movement Review paper be reported to the committee to provide assurance in relation to the financial controls in place.

The Chief Finance Officer assigned responsibility to the Partnership Finance Manager to complete the review, the outcome of which was reported to the FPSC on 3 July 2024. The Lessons Learned Financial Movement Review report aimed to provide assurance in relation to financial controls in place and, working alongside partner organisation finance teams, to review and report back on any corrective actions.

The paper stated that the NHS Fife Finance Team, the Fife Council Finance Team, and the Finance Governance Board had *'either supported the content, or their feedback has informed the development of the content presented in this report'*. The Chief Finance Officer has informed internal audit that tripartite discussions were held with the partner organisations' Directors of Finance and all agreed the paper.

The Finance Governance Board first met in January 2022 and provides assurance to the IJB SLT on the long-term financial sustainability of Fife HSCP through oversight of all finance related matters. The Terms of Reference states that it *'facilitates oversight and leadership across the complete picture of the organisation's financial resources and investment in delivery of its strategic priorities and objectives'*. The Finance Governance Board is Chaired by the Chief Finance Officer. Membership includes mainly HSCP staff and the Fife Council Finance Business Partner and the NHS Fife are members.

The Quarter 3 movements explained in the Lessons Learned Financial Movement Review were:

Area of movement	£m	Reason
Social care packages commissioned	4.0	Retrospective notification to Finance
Year-end accounting entries	1.3	Late entry
Additional Costs of Patients in Delay	1.3	Late agreement for HSCP to fund
Projections Movements Health	1.0	Mental Health and GP prescribing projection inaccurate
Sub-total	7.6	New transactions in Quarter 4
Lack of management information on which to project (Social Care) / projection inaccurate	2.9	Under projection as management information not available
<b>TOTAL</b>	<b>10.5</b>	

£7.6m (70%) of the £10.5m, highlighted in blue in the table above, was attributed to new activity that took place in the final three months of the year.

For each area of Quarter 4 movement the Lessons Learned Financial Movement Review report set out the existing controls and the corrective action.

The July 2024 FPSC draft minute reflects detailed discussion and that the committee took assurance from and noted and approved the report. The minutes also reflect the view of the Committee that before any future actions are settled, conversations should continue to ensure the three organisations are clear what next steps are and agree what the Lessons Learned Financial Movement Review are.

In our view, the corrective action described in the Lessons Learned Financial Movement Review is proportionate, appropriate and reflects a culture of continuous improvement, which now needs to be embedded. In discussion with the Chief Finance Officer, internal audit recommended that a SMART action plan is developed and monitored by an appropriate assurance Committee. This action plan should be 'owned' by the three partner organisations to ensure commonality of purpose and to ensure a cohesive approach to building improvement.

Management have informed us that the recommended action plan has been developed for consideration at the IJB Development session on 17 September 2024 and that it will be shared with the partner organisation Directors of Finance in advance of this session. Assurances are scheduled to be presented to the 13 September 2024 Audit and Assurance Committee.

The July 2024 FPSC paper stated that *'early discussion with External Audit will ensure further independent scrutiny as part of the year end work conducted by the External Audit team'* and the Chief Finance Officer formally requested this input on 12 August 2024.

Management have further informed us that the partner organisations' Directors of Finance agreed that the external audit work will be sufficient in providing independent assurance on the appropriateness and consistency of the Lessons Learned Financial Movement Review within the external audits of the partner organisations, and no further independent scrutiny will be necessary.



As noted above, we recommend that the three organisations formally agree ownership of the recommended Lessons Learned action plan to ensure transparency and accountability.

On 29 August 2024 the HSCP Finance Manager provided the IJB external auditors with evidence to support the Lessons Learned Financial Movement Review and the actions already in place. As part of their wider scope work the IJB external auditors have concluded that there is nothing in the Lessons Learned Financial Movement Review that is inconsistent with their knowledge gained from audits of the IJB or either of the other partner bodies, that the proposed corrective actions seem reasonable and appropriate, and that they are satisfied that the root cause analysis of the main issues leading to the overspends in each partner body has been appropriately undertaken, albeit the content of the root cause analysis has not been audited.

### Directions

Directions are the mechanism for Integration Authorities to action their strategic commissioning plans as set out in sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act).

Binding directions from the Integration Authority to partner organisations are a key aspect of governance and accountability between partners and they are a legal mechanism intended to clarify responsibilities and requirements between partners.

The delivery partners are required to comply with all directions received from the IJB, and the Statutory Guidance on the Act is clear that they may not amend, ignore, appeal, or veto any direction.

When the IJB set its budget in 2023/24 it set directions to the partner bodies identifying both the services and related budget that was to be delivered. In setting this budget there was a requirement for funds to be transferred from NHS Fife to Fife Council to ensure financial balance across the totality of the IJB resources. The Lessons Learned Financial Movement Review paper stated that *'Protracted conversations took place from September to mid-February, but no transfer took place'*, and ultimately the Direction was not actioned by NHS Fife.

The extant Directions Policy was approved by the Board on 31 May 2024 and sets out the process to be followed when a Direction has not been implemented. It states that *'NHS Fife and Fife Council are responsible for complying with and implementing IJB's Directions. Leadership will be provided by the Chief Officer and Joint Director. Should either partner experience difficulty in implementing a Direction, or require further detail regarding expectations, this should be brought to the attention of the Chief Officer in the first instance.'*

*Initially, the Chief Officer, as the Joint Director liaising with the relevant members of NHS Fife and/or Fife Council as appropriate, will seek to find local resolution. If not achieved the Chief Officer, as Joint Director, will escalate the issue to the Chief Executives of NHS Fife and Fife Council for resolution. Failing resolution, further guidance will be sought from Scottish Government'*

The Chief Finance Officer has informed Internal Audit that while there was a known risk around this, the expectation was that the legally binding Direction would be actioned and it did not become clear that this would not be the case until February 2024. We recommend that any risk of non-compliance with a Direction is reported to the FPSC at the earliest opportunity, and that the process where a partner experiences difficulty in implementing a Direction or requires further detail regarding expectations is instigated, in line with the IJB Directions Policy.

The impact on the 2023/24 position was not material but this remains a significant risk in 2024/25. We were pleased to note that the risk that Directions are not delivered has now been reported to the IJB.

Corrective actions identified include regular dialogue with both partners to ensure Directions are actioned, and to understand and discuss any obstacles to doing so, and understanding the implications of not following directions.

Independent legal advice has been sought from the Central Legal Office in relation to directions, and the implications of non-compliance and non-delivery and a formal response is awaited.

### 2024/25 Outlook

The provisional 2023/24 outturn position will have an impact on the savings that will be required to ensure financial balance from 2024/25 onwards.

A budget of £671.633m was set for 2024/25 and to balance the budget savings of £39m are required in Year 1. As reported to the IJB on 24 July 2024, the forecast for Fife HSCP at 31 May 2024 is a provisional overspend of £24.353m. Work is underway to assess this impact and a recovery plan is being developed. Reserves brought forward at April 2024 were £4.731m (2023/24 - £37.719).

The financial challenge faced by the IJB is significant and the frequency of meetings with both partners and the Chair and Vice Chair of the IJB has been increased. We have been informed that four weekly meetings will take place between the NHS Fife and Fife Council Directors of Finance and the IJB Chief Finance Officer, and that it is anticipated that more frequent governance committees will be arranged to consider the financial position throughout the year. Reporting to the IJB emphasises that financial sustainability is a priority and the IJB is aiming to continually improve processes.

The IJB will need to have a clear focus on financial sustainability, especially given an environment in which it is by no means certain that partner bodies would be willing or necessarily able to resource any overspend by the IJB.

In these circumstances monitoring of the implementation of the Strategic Plan will be fundamental. In particular there will need to be a focus on transformation and change i.e. what Fife IJB will do differently to be able to deliver its strategic objectives within serious financial constraints and whether that transformation is delivering improvements (including financial savings) sufficient to enable sustainable services.

The Chief Finance Officer checklist was completed as part of 2023/24 year end processes and no changes were made.

### Transformation

Internal audit F05/22 – Strategic Planning, reported that it is essential that the IJB is provided with detailed assurance on the planning and delivery of transformation programmes and how they link to the objectives within the strategic plan, both in terms of delivering identified improvements, freeing up required resources and delivering required savings.

The strategic risk for Transformation / Change is described as *‘there is a risk that the transformation change programmes do not meet the desired timescales or achieve the required outcomes which may impact on the quality and sustainability of services to meet the needs of the people of Fife’*. The current risk score is medium (12), with a target score of medium (8) to be achieved by 31 March 2026.

The FPSC have been provided with presentations on business cases for transformational change areas and the IJB approved the transformation projects as per the Medium-Term Strategy agreed by the IJB in March 2023.

Fife IJB requires a culture that understands the prerequisites for transformation required, embraces change and innovation, and supports officers making difficult choices. Management have informed us that the IJB will continue to monitor the progress of its transformational programmes through existing governance arrangements including the Strategic Risk Register.



## Action Point Reference 2 – LFMFR Action Plan

### Finding:

The Lessons Learned Financial Movement Review (LLFMR) paper to the July 2024 FPSC set out the main reasons for movement in projection from January 2024 to the reported 2023/24 year end position, along with the existing controls and corrective action. It also acknowledged that there needs to be a continuous approach to achieving financial sustainability. The review did not however contain an action plan.

The LFMFR stated that management information is being developed that will allow proactive financial management, including real time information that provides information on the numbers and cost of packages currently commissioned compared to the budget available to facilitate the estimation of future spend. Management have considered whether there is a risk to financial monitoring whilst this management information is under development.

### Audit Recommendation:

The IJB and the partner organisations should formally confirm the level of assurance provided by the LFMFR process and the external audit opinion on it.

A SMART action plan should be developed, based on the LFMFR exercise and the action plan should be reported to and monitored by an appropriate assurance committee. Monitoring of the action plan should consider whether improvement resulting in a strengthened control environment has been made as a result of the action resulting from the LFMFR.

Management should provide timely assurance that the controls in place are sufficient to mitigate any potential risk associated with management information.

We recommend that the three organisations formally accept ownership of the action plan to ensure transparency and accountability in the spirit of integration.

### Assessment of Risk:

Significant



Weaknesses in control or design in some areas of established controls.

**Requires action to avoid exposure to significant risks in achieving the objectives for area under review.**

### Management Response/Action:

External Audit have completed their work and concluded that the Lessons Learned Report included proposed corrective actions seem reasonable and appropriate, and that they are satisfied that a root cause analysis of the main issues leading to the overspends in each partner body has been carried out. External audit stated that 'We have not audited the content of the root cause analysis but have seen evidence that it has been appropriately undertaken'

Our Governance Statement in the Annual Accounts on page 32 sets out the intent to bring back to Committee any findings from the LFMFR work and an associated action plan. This action plan has been developed and will be presented and discussed at the IJB Development Session on 17th September 2024

The Action plan will be agreed and jointly owned by all three partners in the spirit of true integration

It is our intention to provide regular updates on the action plan and provide assurance these additional measures are in place and appropriate. This will be reported through the Audit & Assurance Committee.

Effective Financial Controls are already in place. The services delivered are very much demand led by the needs of the people of Fife. Given the complexities and sensitivity of their needs, there will be occasions where difficult decisions are taken to commission packages to keep individuals safe in the community.

Improved management information as a result of the move to the new social care system is being developed, combining performance and financial information to allow proactive financial decisions to be made. The dashboards will enhance the management information available to budget holders to aid decision making whilst recognising the complex landscape in which we work, further improving the financial controls already in place.

We believe that the action plan will provide an opportunity for the AAC to consider the effectiveness and completeness of the action plan.

Action by:	Date of expected completion:
Audrey Valente, Chief Finance Officer	March 2025

### Action Point Reference 3 – Financial Sustainability

#### Finding:

Delivering the IJB's strategic and commissioning priorities within the budget and resources that it has available will be a significant challenge and a financial recovery plan has been developed.

Savings of £39m are required in year 1. It is extremely unlikely that savings of this magnitude can be achieved without a significant transformation programme accompanied by clear prioritisation of areas within the strategic plan. This will mean difficult choices and potential de-prioritisation of some areas.

In reaching a balanced financial position for 2023/24, the IJB utilised reserves, resulting in a reserves balance below the policy minimum.

#### Audit Recommendation:

Continued robust monitoring of the implementation of the strategic plan will be fundamental. Management should clearly set out how the IJB will receive assurance, including assurance over transformation. There should be absolute clarity over the extent to which the strategy will deliver recurrent savings of the magnitude required.

Reporting on implementation of Strategy and financial monitoring should have a clear focus on the success of transformational projects i.e. what has changed and how services are better delivered, with savings achieved, as a result of transformation. Reporting should provide a rounded view of overall performance, financial sustainability, and progress in implementing the priorities set out in the Strategic Plan, linked to assurance on any relevant strategic risks.

In view of the current financial challenges faced by the IJB, consideration should be given to reviewing the current Strategic Plan to identify areas that could either be no longer deliverable and others that could be delayed to a later date to ease the current financial pressures in place. Any assessment of these areas should be conducted on a risk based approach to ensure legal, national, and local priorities are maintained and delivered.

Financial monitoring reports should include reporting on the Finance strategic risk and reflect all known potential barriers to delivery. The current risk score should be reviewed, as well as the adequacy of current controls.

A key area will be culture. The IJB should ensure that financial sustainability is given appropriate priority in all decisions, recognising that money spent now will not be available for future needs.

As reserves are not available for use, the focus should now be on addressing the underlying gap to ensure long term financial sustainability.

#### Assessment of Risk:

Significant



Weaknesses in control or design in some areas of established controls.

**Requires action to avoid exposure to significant risks in achieving the objectives for area under review.**

#### Management Response/Action:

The Strategic Plan has an associated delivery plan and regular updates are provided to the IJB Committee. Any delays in delivery of the Strategic Plan will be be advised through this process also.

A Transformation update will be presented at Finance, Performance & Scrutiny Committee on 11 September 2024.

A savings tracker and update will also be presented to the same Committee

Regular updates on savings delivery, transformational change and any substitute savings/recovery actions are considered at FPSC and IJB

Finance Risk score is noted in the Finance Update paper (to FPSC and IJB) as ‘to be reviewed’. The risk score will be reviewed in September 2024.

In all reports to Committee we articulate the impact on financial position, demonstrating financial sustainability remains a key priority for the IJB

Action by:	Date of expected completion:
Audrey Valente, Chief Finance Officer	March 2025

### Action Point Reference 4 - Directions

#### Finding:

The delivery partners are required to comply with all directions received from the IJB, and the law is clear that they may not amend, ignore, appeal, or veto any direction.

At the start of the year a Direction was issued which required a transfer of funds from NHS Fife to Fife Council. The LLFMR paper stated that 'Protracted conversations took place from September to mid-February, but no transfer took place', and ultimately the Direction was not actioned by NHS Fife. The extant Directions Policy sets out the process to be followed when a Direction has not been implemented.

The Chief Finance Officer has informed internal audit that while there was a known risk around this until February 2024 the expectation was that the legally binding Direction would be actioned and it did not become clear that this would not be the case until February 2024.

The FPSC has responsibility for maintaining an overview of progress with the implementation of Directions, requesting progress reports from NHS Fife and Fife Council, and escalating key delivery issues to the IJB.

#### Audit Recommendation:

We recommend that any risk of non-compliance with a Direction is reported to the FPSC at the earliest opportunity, and that the process where a partner experiences difficulty in implementing a Direction or requires further detail regarding expectations is instigated as soon as the issue is identified, in line with the IJB Directions Policy.

The Tracker should be regularly monitored and reviewed by the FPSC and used as part of performance management, including audit and scrutiny. This should include monitoring the implementation and/or status of directions that have been approved by the IJB.

#### Assessment of Risk:

Significant



Weaknesses in control or design in some areas of established controls.

**Requires action to avoid exposure to significant risks in achieving the objectives for area under review.**

#### Management Response/Action:

Since the approval of the revised Directions Policy in May 2025, there has been more focus on the use of Directions, e.g a Direction will now be included where the financial position has moved from the previous reporting period as a result of receipt of additional funding.

A bi-annual review of Direction Tracker will be scheduled within the IJB workplan.

#### Action by:

#### Date of expected completion:

Chief Finance Officer

March 2025

**INFORMATION GOVERNANCE****Strategic risk:**

**Information Governance and Digital Transformation** - There is a risk the information governance systems and arrangements of the IJB and partner bodies are inadequate which may lead to a negative impact on the pace of the digital transformation change agenda and information governance. Current score: Medium - 9, target score - Low - 6

As reported to the May 2024 AAC an Information Audit process to generate an Information Asset Register supported by written procedures, including for information sharing e.g., for provision and receipt of assurance with Fife Council and NHS Fife is in place.

Work to develop IJB written procedures for how it engages with Fife Council/NHS Fife information systems, including obtaining assurance that staff changes, and other access to information, is properly controlled, is ongoing. Policies are in place for both partner organisations which give assurance that this is controlled. Therefore, Internal Audit do not consider this to be a high risk.





The Records Management Annual Report 2023 was considered by the IJB on 29 September 2023 and included the completed progress update review which was assessed by the National Records of Scotland in April 2023. The Keeper assessed the 15 elements of the Records Management Plan as:

- Green - 10
- Amber - 4
- Red - None

The Digital Strategy was approved by the IJB on 31 May 2024, having been presented to the QQC on 10 May 2024. The Action Plan within the Strategy reflects the IJB's digital ambitions for the next three years and had been discussed with digital partners.

**Assessment of Risk**

To assist management in assessing each audit finding and recommendation, we have assessed the risk of each of the weaknesses identified and categorised each finding according to the following criteria:

Risk Assessment		Definition	Total
Fundamental		Non Compliance with key controls or evidence of material loss or error. <b>Action is imperative to ensure that the objectives for the area under review are met.</b>	<b>None</b>
Significant		Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores. <b>Requires action to avoid exposure to significant risks to achieving the objectives for area under review.</b>	<b>Three</b>
Moderate		Weaknesses in design or implementation of controls which contribute to risk mitigation. <b>Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.</b>	<b>None</b>
Merits attention		There are generally areas of good practice. <b>Action may be advised to enhance control or improve operational efficiency.</b>	<b>One</b>

**Meeting:** Audit and Risk Committee  
**Meeting date:** 12 December 2024  
**Title:** Integrated Joint Board Lessons Learned Report on Year-End 2023/24  
**Responsible Executive:** Lynne Garvey, Director, Health and Social Care  
**Report Author:** Audrey Valente, Chief Finance Officer

## Executive Summary:

- The report provides assurance to the Audit and Risk Committee around actions taken following a movement in the reported financial year-end position for 2023-24.
- A root cause analysis has been undertaken and a Lessons Learned report with an accompanying action plan has been developed detailing a number of corrective actions which will be implemented and will strengthen financial controls.
- The Lessons Learned report has been independently scrutinised and endorsed by both External Audit and Internal Audit.
- Progress on the identified actions will be monitored by the IJB Audit and Assurance Committee.

## 1 Purpose

### **This report is presented for:**

- Assurance

### **This report relates to:**

- Emerging Issue

### **This report aligns to the following NHSScotland quality ambition(s):**

- Effective

## 2 Report summary

### 2.1 Situation

All IJBs are currently operating in a challenging financial environment, and it is essential that there is robust scrutiny of expenditure incurred. A late movement in the projected outturn between December and March had significant implications for partners and resulted in the risk share agreement being implemented. As a result, a root cause analysis of the movement was undertaken, and a Lessons Learned Financial Movement Review



Report and action plan was developed. Implementation and outcomes from this action plan is being monitored by the IJB Audit and Assurance Committee.

## 2.2 Background

The action plan is provided at Appendix 1 to this report and has been developed following analysis of the root cause of the financial movement, financial controls already in place and the identification of any corrective action which has been taken as described in the Lessons Learned Financial Movement Review Report.

## 2.3 Assessment

A Lessons Learned Financial Movement Review Report was presented to the IJB Finance, Performance & Scrutiny Committee on 3rd July 2024. The report included a suite of corrective actions and a resultant action plan was developed, which was agreed at the IJB Development Session on 13th September 2024. It was agreed that the action plan will be monitored through regular updates to the IJB Audit and Assurance Committee.

As part of their wider scope audit work on financial management, External Audit undertook further independent scrutiny as part of the year end work and reviewed the report on the lessons learned review into the movements in financial projections in the final quarter of 2023-24. Following this review by External Audit, they confirmed that there is nothing in the report which is inconsistent with the knowledge gained from their audits of the IJB or either of the other partner bodies.

They further concluded that the proposed corrective actions seem reasonable and appropriate and were satisfied that a root cause analysis of the main issues leading to the overspends in each partner body has been carried out. External Audit did not audit the content of the root cause analysis but agreed they had sight of evidence which showed that it was appropriately undertaken. External Audit confirmed, the report meets the expectations of a lessons learned review, however suggested that Internal Audit provide independent assurance on the effectiveness of controls identified as part of agreed corrective actions.

The Annual Internal Audit Assurance report in respect of Fife IJB's overall arrangements concluded, 'In my (Chief Internal Auditor) opinion, the corrective actions as described in the Lessons Learned Financial Movement Review presented to the 3 July 2024 FPSC are appropriate and proportionate. Internal audit did not audit the Lessons Learned Financial Movement Review as this is out with the scope of this annual report'.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level		X		
Descriptor	There is robust assurance that the system of control achieves, or will	There is sufficient assurance that controls upon which the organisation relies	There is some assurance from the systems of control in place to manage the	No assurance can be taken from the information that has been provided. There

	achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	remains a significant amount of residual risk
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### 2.3.1 Quality, Patient and Value-Based Health & Care

Delivering robust governance across the organisation is supportive of enhanced patient care and quality standards.

### 2.3.2 Workforce

There are no workforce implications arising directly from this report.

### 2.3.3 Financial

The action plan demonstrates additional control measures. It also recognises the need to keep our Fife population safe and the challenges that presents when managing a budget. Given the complexity of need and the requirement to ensure individuals are not unduly delayed in hospital, spend within budget was difficult in the previous year, and it is acknowledged this may continue into future financial years. Any improvement measures will further strengthen both the controls already in existence and also the current reporting arrangements, leading to more effective financial management and budgetary control.

### 2.3.4 Risk Assessment / Management

There is a risk that an overspend will require the risk share agreement to be implemented which will have a direct impact on the financial sustainability of our partners. Although it is accepted that a projection is likely to move given it is based on data available at a point in time, it is essential that these movements are minimised through a continuous improvement approach. Better management information, closer working between finance and the service are all actions which have been identified to improve the current processes and methodologies

### 2.3.5 Equality and Human Rights, including children's rights, health inequalities and Anchor Institution ambitions

An EqIA has not been completed and is not necessary, as there are no EqIA implications arising directly from this report.

### 2.3.6 Climate Emergency & Sustainability Impact

There are no Climate Emergency & Sustainability impacts arising directly from this report.

### 2.3.7 Communication, involvement, engagement and consultation

There were no communication/engagement activities required in development of this report.

### 2.3.8 Route to the Meeting

This paper has been previously considered by the IJB Audit and Assurance Committee.

## 2.4 Recommendation

This paper is provided to members for:

- Assurance – This report provides a “**moderate**” **level of assurance** to the Audit and Risk Committee for assurance.

## 3 List of appendices

The following appendices are included with this report:

- Appendix No. 1, IJB Lessons Learned Financial Movement Action Plan

### Report Contact

Audrey Valente

Chief Finance Officer

Email [Audrey.Valente@fife.gov.uk](mailto:Audrey.Valente@fife.gov.uk)

Objective	What are we going to do?	How are we going to do it?	Who will do it?	When will it be done?	What have we done so far?	How do we know we have done it?
Control Weakness	Correction Action	Deliverables	Responsible Owner	Timescale	Progress	Output
<b>Improved Management Information</b>	Develop and implement use of Realtime data to align performance and financial information enabling informed decision making	<ul style="list-style-type: none"> <li>• Create business intelligence dashboards which will provide performance and financial information on social care including data on expenditure/ bed numbers/ hours of care delivered.</li> <li>• Continue to develop dashboards as and when commissioned services are moved to the new Social care system</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Finance Officer</li> <li>• Head of Strategic Planning &amp; Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Mar-25</li> </ul>	<ul style="list-style-type: none"> <li>• Current test of change with parallel running of Nursing &amp; Residential BI reports with manual reports to ensure accuracy.</li> <li>• Live information is available for review at meetings, enabling more informed decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Greater financial control</li> <li>• Better financial projections</li> <li>• Reduced overspend in this area</li> </ul>
<b>Enhanced Collaborative Decision Making</b>	Finance to be more involved in decision making to ensure HSCP are commissioning within available resources	<ul style="list-style-type: none"> <li>• Finance professionals to attend weekly meetings with Services where packages of care are agreed.</li> <li>• Dashboards will aid in providing live information on current supply and demand.</li> <li>• Review of existing packages of care being provided.</li> <li>• Review of Eligibility Criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Finance Officer</li> <li>• HSCP Heads of Service</li> <li>• Principal Social Work Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings</li> <li>• Ongoing</li> <li>• Mar-25</li> <li>• Mar-25</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly multi-disciplinary meetings throughout financial year have already commenced.</li> <li>• Ongoing development</li> <li>• Working review group - staff currently being released to form a review team <i>Requires to be agreed by Fife Council before work can commence</i></li> </ul>	<ul style="list-style-type: none"> <li>• Reduce overspend</li> <li>• More equitable service delivery</li> </ul>
<b>Increased Tripartite Communication</b>	More frequent dialogue between partners to discuss emerging financial position	<ul style="list-style-type: none"> <li>• Directors of Finance meet with CFO every 4 weeks.</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Finance Officer</li> <li>• DoFs NHS and FC</li> </ul>	<ul style="list-style-type: none"> <li>• 4-Weekly</li> </ul>	<ul style="list-style-type: none"> <li>• Complete - Meetings diarised</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness amongst partners of financial position, challenges and any emerging issues/obstacles</li> </ul>
<b>Complete accurate and timely Year End Entries</b>	Ensure timetable adhered to	<ul style="list-style-type: none"> <li>• HSCP to liaise with FC and NHS in advance of deadlines to ensure all entries processed.</li> </ul>	<ul style="list-style-type: none"> <li>• HSCP Finance Manager</li> <li>• Finance Business Partners</li> </ul>	<ul style="list-style-type: none"> <li>• One off issue due to timing of closure of partner accounts</li> </ul>	<ul style="list-style-type: none"> <li>• In line with year end timetable</li> </ul>	<ul style="list-style-type: none"> <li>• Accurate year-end financial reporting</li> </ul>
<b>Accurate Financial Projections</b>		<ul style="list-style-type: none"> <li>• Continued close working with Finance Business Partner teams</li> <li>• Introduce additional level of accountability, whereby monitoring will be signed off by each Head of Service responsible.</li> <li>• Development of more robust savings trackers</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Finance Officer</li> <li>• HSCP Finance Manager</li> <li>• HSCP Heads of Service</li> <li>• Finance Business Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Each projection period</li> </ul>	<ul style="list-style-type: none"> <li>• Complete</li> </ul>	<ul style="list-style-type: none"> <li>• Greater financial control</li> <li>• Better financial projections and ensuring all projections are to the year end position</li> <li>• More accurate and timely monitoring of achievement of savings</li> </ul>
<b>Use and Monitoring of Directions</b>	<ul style="list-style-type: none"> <li>• More robust scrutiny of use and implementation of Directions</li> <li>• Ensure Directions are complied with</li> <li>• Bi-annual Directions tracker presented to Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Issue of a Direction where there is any adjustment in Budget e.g Additional Funding, Virement etc</li> <li>• Ensure Directions include a date to be actioned by</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Corporate Governance and IJB Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Bi-annual</li> </ul>	<ul style="list-style-type: none"> <li>• Work ongoing with Chair of Audit &amp; Assurance Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement at IJB</li> </ul>

# NHS in Scotland 2024

Finance and performance



AUDITOR GENERAL 

Prepared by Audit Scotland  
December 2024

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## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

## Audit team

The core audit team consisted of:  
 Leigh Johnston,  
 Bernadette Milligan,  
 Martin McLauchlan,  
 Nina Miller, Liam Prior  
 and Fiona Caffyn,  
 under the direction of  
 Carol Calder.

# Key messages

- 1** Health accounts for about 40 per cent of the Scottish budget, and NHS funding grew again in 2023/24, but recent increases have been used largely to cover pay commitments and inflation. Costs are forecast to continue rising, identifying and making savings remains challenging, and investment in new healthcare facilities remains paused. To address current financial pressures, fundamental change in how NHS services are provided is now urgently needed.
- 2** Despite increasing funding and staffing, the NHS in Scotland is still seeing fewer patients than before the Covid-19 pandemic. Progress to reduce the backlog of care has been slower than anticipated. National commitments to reduce waiting lists and waiting times have not been met, and reducing delayed discharges remains an intractable problem. NHS Scotland has implemented a range of projects and initiatives aiming to improve productivity and outcomes for patients but as yet these are having little impact on headline indicators, and there is a lack of clear and transparent reporting of progress, and evaluation of impact.
- 3** There needs to be an increased and ongoing focus on improving the health of Scotland's people to reduce the pressure on the NHS. Without this change, the NHS is unlikely to be able to meet growing demand. The Scottish Government's restated vision for health and social care is not clear on how current operational issues will be addressed or how reform will be prioritised. A clear delivery plan is needed to safeguard Scotland's health service. Difficult decisions will need to be made about transforming services and, potentially, what the NHS stops doing. This requires both Scottish Government and NHS leaders to show greater leadership.

# Recommendations

## The Scottish Government should:

- In 2025, publish the national strategies and plans previously recommended in our NHS in Scotland 2023 report, namely:
  - a national capital investment and asset management strategy ([paragraph 54](#))
  - a revised Medium-Term Financial Framework for health and social care ([paragraph 41](#)).
- For the financial year 2025/26, increase certainty for NHS boards by undertaking to baseline a greater proportion of their total allocations and increase, again, the pace at which allocations to boards are made ([paragraph 42](#)).
- Ensure that the lessons learned from the process of negotiating the end of private finance initiative (PFI) contracts are communicated to NHS boards and provide greater certainty about how associated capital and revenue costs will be funded ([Case study 1, page 24](#)).
- In line with previous recommendations, publish clear and transparent annual progress reports on the work to reform services. These should show the effectiveness and value for money of new innovations and ways of providing NHS services ([paragraph 95](#)).

## NHS boards should:

- Work towards setting a balanced financial position in their next three-year plans, by identifying realistic recurring savings targets and reducing their reliance on non-recurring savings by considering fundamental changes to how services are provided and the range of services offered ([paragraph 29](#)).

## The Scottish Government and NHS boards should:

- Ahead of 2025/26, jointly identify areas of limited clinical value and consider how services can be provided more efficiently, or withdrawn, to allow funding to be redirected, while ensuring that any relevant impact assessments have taken place ([paragraph 104](#)).



- Building on the overarching vision announced by the Cabinet Secretary, the Scottish Government and NHS boards should work together, with their staff, partners and the public to develop a delivery plan by 2025. This plan should set out national priorities and plans for reform; how these will be delivered; and how progress on achieving the vision and reforms will be measured and monitored ([paragraph 96](#)).

# Introduction

- 1.** The NHS in Scotland provides a range of vital services to thousands of people every day across the country. Over the years we have highlighted the growing pressures facing the NHS in our national and local audit work. These include a tight financial environment, increasing demand for services, difficulties in recruiting staff, and rising public and political expectations.
- 2.** In the face of these pressures, a committed workforce has continued to work to deliver high-quality care. However, the demands of a growing and ageing population on top of these pressures, as well as the ongoing backlog created by the pandemic, mean the current healthcare delivery model is not sustainable.
- 3.** The Auditor General for Scotland publishes an annual report on the performance of the NHS in Scotland to provide assurance about NHS Scotland's performance and finances and to assess the progress of ongoing reforms.
- 4.** Over recent years, these reports have focused on the response to, and recovery from, the Covid-19 pandemic. They highlighted the scale of the challenges brought about by Covid-19 and concerns about a lack of progress in implementing the NHS Recovery Plan 2021–2026 (published by the Scottish Government in August 2021).
- 5.** Our [NHS in Scotland 2023](#) report reflected the need for short-, medium- and long-term investment and reform to ensure the future sustainability of the NHS in Scotland. We focused on funding and financial performance, position and sustainability; analysing service performance and patient safety; and providing an update on progress on wider reforms aimed at ensuring that services remain sustainable.
- 6.** As part of our own response to Covid-19, from 2020 to 2023 our annual report on the NHS was published later in the year. We are now reverting to an earlier publication date that will make the report more timely and allow NHS Scotland and boards to prepare their plans and budgets. This means less time than usual has passed since we published our last NHS in Scotland report.
- 7.** This report covers the financial and operational performance of Scotland's NHS in 2023/24. This report is intended to provide an overview, with a particular focus on NHS boards. We outline our audit methodology in [Appendix 1, \(page 43\)](#) and note progress

against the recommendations from our NHS in Scotland 2023 report in [Appendix 2, \(page 44\)](#).

**8.** The NHS in Scotland provides a wide variety of services, not all of which we are able to cover within this overview. This report is just one product, within a suite of products we either have published or plan to produce about the financial and operational performance of different parts of the health and care system, including:

- [Adult mental health](#) (published September 2023).
- [Integration Joint Boards: Finance and performance 2024](#) (published July 2024 and next finance report due March 2025).
- [Drug and alcohol services](#) (published October 2024).
- [General practice and the impact of the 2018 General Medical Services contract](#) (due to publish March 2025).
- a complementary NHS in Scotland spotlight report which will consider NHS Scotland's governance and scrutiny arrangements (due to be published spring 2025).

**9.** It is also worth noting that [we published a report in November 2024](#) on the Scottish Government's approach to achieving fiscal sustainability, and how it is supporting public service reform.

#### Note:

When reporting on funding and finances, we refer to changes in real terms. This means that we show financial information for past and future years at 2023/24 prices, adjusted for inflation so that they can be compared. To adjust for inflation we use gross domestic product (GDP) deflators, which are published quarterly by HM Treasury. Using GDP deflators is the standard approach adopted by both the UK Government and the Scottish Government when analysing public spending. Because of the way that GDP is calculated, the Covid-19 pandemic resulted in volatility throughout 2020/21 and 2021/22. To compensate for this, and to allow meaningful comparisons between years, we used an average GDP growth rate for 2020/21 and 2021/22 in our calculations to separate inflation (increases in prices) from changes in outputs and those largely attributable to Covid-19 spending.

# 1. Financial performance and outlook

The NHS in Scotland is experiencing immediate financial challenges, rising demand and operational pressures, underlining the need for significant service reforms

**The health budget continues to increase. This is unsustainable and will become unaffordable, putting pressure on other areas of the public sector and overall Scottish budget, highlighting a need for change**

**10.** Health remains the single biggest area of government spending, at £19.1 billion in 2023/24, a 2.5 per cent increase since 2022/23 in real terms. This accounted for 40 per cent of the 2023/24 Scottish budget. The planned increase to £19.4 billion in 2024/25 reflects the long-term trend of annual increases in health spending ([Exhibit 1, page 9](#)).

**11.** Most health funding is provided directly to territorial boards to carry out their functions and deliver services ([Exhibit 2, page 10](#)). Budget increases have been spent largely on new pay obligations, meaning that funding increases have not been available to support services in other ways ([paragraph 35](#)).

**12.** In its last Medium-Term Financial Strategy (May 2023), the Scottish Government revised how much it expects to increase spending on health to reflect the Scottish Fiscal Commission's projections that health spending will grow faster than other public services.<sup>1</sup> This puts pressure on other areas of the public sector.

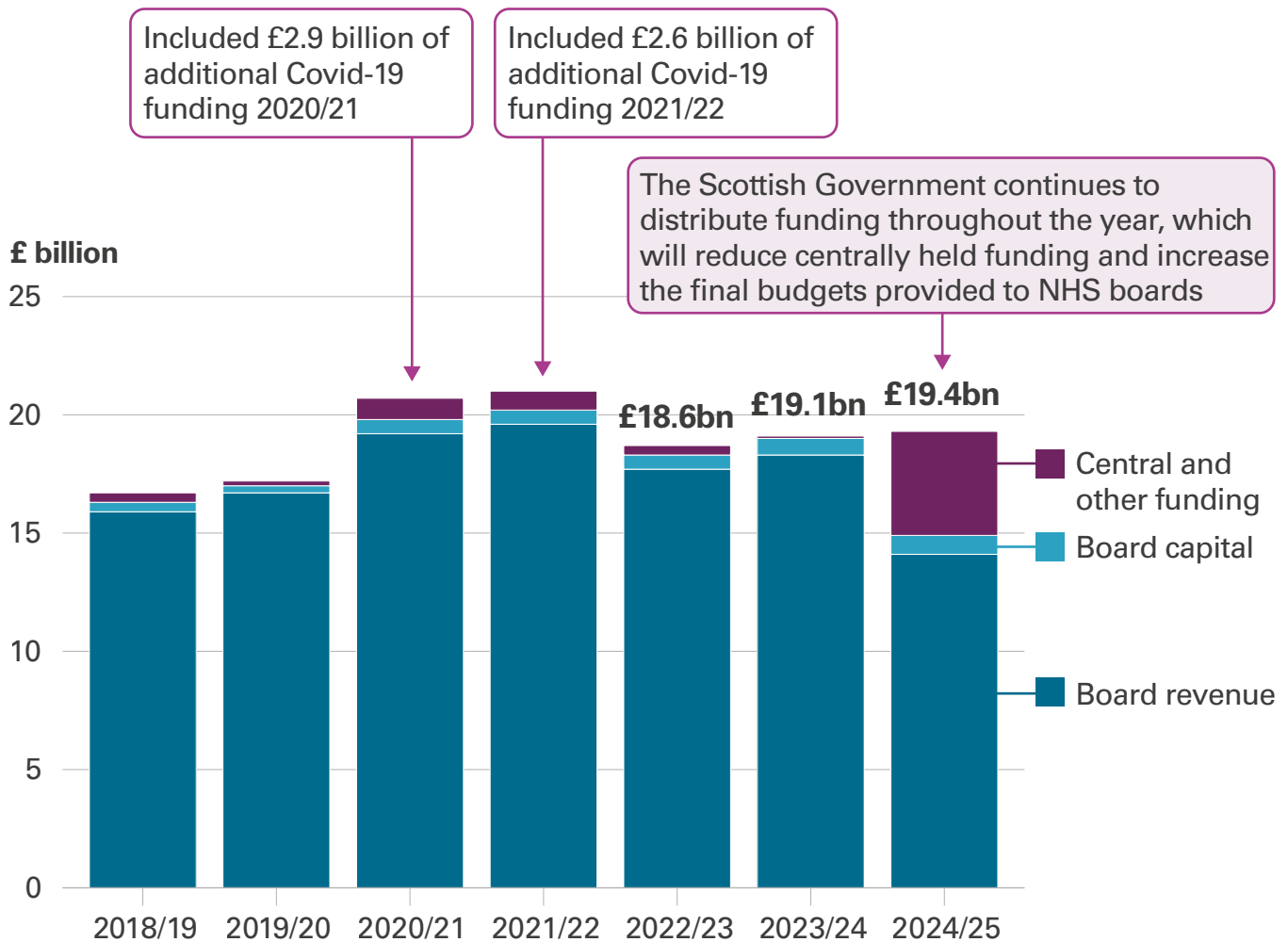
**13.** [Our report on the Scottish Government's approach to fiscal sustainability and reform](#) outlined a need for the Scottish Government to change its approach to public spending and public service delivery models to be financially sustainable. It highlighted spending on health as the main driver in Scottish Fiscal Commission forecasts for longer-term spending increases, with health projected to grow to 50 per cent of the devolved spending budget over the next 50 years.<sup>2</sup>

**14.** The affordability of healthcare spending is now an urgent issue that the Scottish Government must address. The scale and pace of reform needs to increase. Difficult decisions need to be made about transforming services, and potentially about what the NHS stops doing. This will be essential for managing the demands placed on the healthcare system and ensuring its future sustainability.

## Exhibit 1.

### The health budget increased in real terms in both 2023/24 and 2024/25

Both the overall health budget and money directly allocated to NHS boards continue to increase.

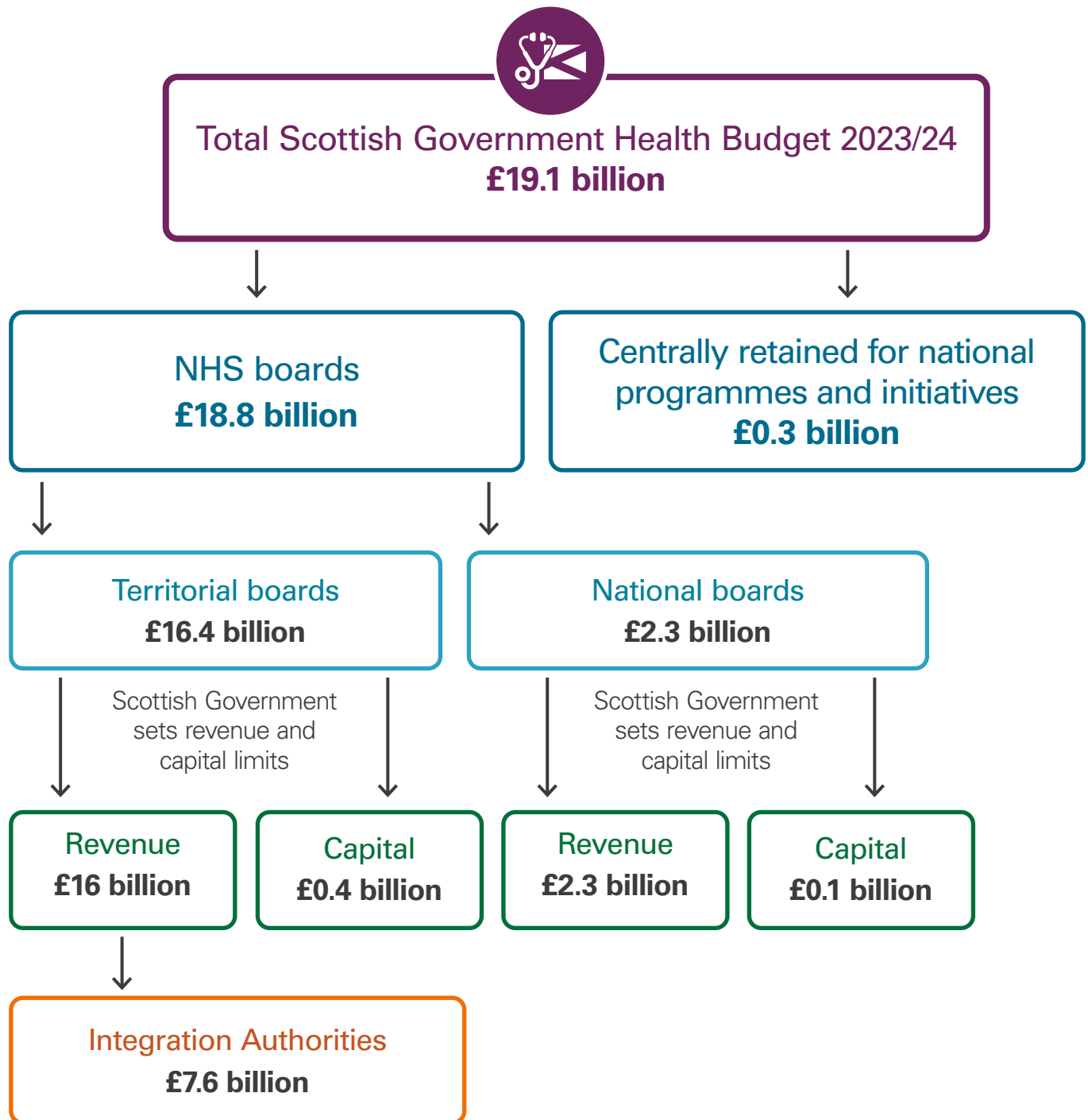


#### Notes:

1. The total health budget reflects the position in relevant Scottish Government budget documentation up to the 2024/25 Budget Bill.
2. The 2023/24 budget has been updated from the Auditor General's NHS in Scotland 2023 report to reflect the outturn position, and an underspend against non-cash technical elements of the budget.
3. Board allocations reflect final allocations up to 2023/24 and assume all capital funding will be distributed to boards in 2024/25.
4. Central funding represents the difference between the health budget and direct board allocations and, for 2024/25, funds that will be distributed in-year. It also contains some technical elements of the Scottish budget.
5. All figures have been adjusted to 2023/24 prices.

Source: Audit Scotland analysis of Scottish Government budget documentation and NHS boards' audited annual accounts

## Exhibit 2. Scottish Government health funding in 2023/24



Note: Figures may not balance due to rounding.

Source: Scottish Government budget documents and NHS boards' audited accounts

## The Scottish Government's recent fiscal update has increased the financial pressures on the NHS in Scotland

**15.** The fiscal update that the Cabinet Secretary for Finance and Local Government provided to Parliament in September 2024 outlined the need to introduce spending controls and the halt of discretionary spending across Scottish Government portfolios.<sup>3</sup>

**16.** £116 million of savings from the Health and Social Care Portfolio in 2024/25 were announced as part of this update. The money saved across a number of areas will be used to support 2024/25 pay deals which have exceeded budget allocations.

**17.** The 2024/25 budgets provided to NHS boards have already been adjusted based on the 2023/24 pay deals. In addition, the Scottish Government has committed to providing further additional funding to meet the financial costs of the 2024/25 pay deals ([paragraph 37](#)).

**18.** The UK Government announced additional funding for the Scottish Budget of £1.5 billion for this financial year and an additional £3.4 billion for 2025/26 through the Barnett formula as part of the Autumn Budget 2024. The full implications of this for the NHS in Scotland will not be known until the Scottish Budget is published on 4 December. We will monitor and report on this in the NHS in Scotland 2025 report.

## Funding increases have been insufficient to address the financial challenges NHS boards are now facing, with a record number needing additional funding to break even

**19.** NHS boards have a statutory responsibility to make sure their expenditure does not exceed the resources they have for that year, with some limited flexibility to manage overspending of one per cent of their core revenue budget across a three-year period. The NHS met its overall financial targets in 2023/24. Boards are struggling to break even, however. The amount of **brokerage** provided by the Scottish Government to enable boards to break even is increasing.

**20.** In 2022/23 five boards required additional funding, and one made use of its limited three-year financial flexibility, to break even. The overall position has worsened in 2023/24 and eight territorial boards needed additional funding from the Scottish Government at the end of the year to meet their targets, totalling £166.5 million; this included all five boards requiring support in 2022/23. [Exhibit 6, \(page 20\)](#) shows a breakdown by board.

**21.** Boards who required brokerage identified a range of cost pressures. Common areas of pressure include prescribing costs, pay, non-pay



**Brokerage** is a form of loan funding that the Scottish Government can agree to provide an NHS board to help it manage changes to planned expenditure. These loans are repayable. The Scottish Government will set repayment terms only once a board has returned to a break even position.

inflationary pressures, overspending in specific service areas such as acute services or services delivered via Integration Joint Boards (IJBs), and agency staff costs.

## There are indications that pressures across the wider health and social care system are now affecting the financial position of NHS boards more directly

**22.** Financial transfers are made routinely from the Scottish Government's health and social care portfolio budget to the local government portfolio budget. For 2023/24 these amounted to nearly £1 billion (about 5.6 per cent of the announced health budget). This increased from £878 million in 2022/23, with the increase driven by commitments to paying adult social care workers in the third sector and the private sector the Real Living Wage.

**23.** NHS boards allocate a significant proportion of their budgets to **Integration Authorities (IAs)** to fund primary and community health services. In 2023/24, territorial boards delegated £7.6 billion to IAs (about 45 per cent of their revenue budgets) and received a similar sum back to provide delegated services on behalf of the IAs ([Exhibit 2, page 10](#)).

**24.** During the Covid-19 pandemic IJBs built up significant reserves of about £0.3 billion, which were used largely in 2022/23 ([Integration Joint Boards: Finance and performance 2024](#), July 2024). The financial position of IJBs is starting to have a greater impact on the financial position of NHS boards, with a number of boards required to fund IJB overspending under their individual integration agreements. Most boards have managed this within their overall budgets in the current year but, as detailed in [paragraph 19](#), some boards have had to seek additional funding from the Scottish Government to break even.

## NHS boards remain reliant on one-off savings

**25.** In 2023/24, the Scottish Government set an NHS-wide target for boards to deliver recurring annual savings equivalent to three per cent of their baseline revenue resource limit. These efficiency savings are retained by the boards and used to achieve their statutory responsibility to break even.<sup>4</sup> For 2023/24 boards planned to make savings equivalent to 3.6 per cent of their baseline budgets. NHS boards achieved £471.4 million of savings, equivalent to 3.3 per cent of the baseline but this included both recurring and non-recurring savings ([Exhibit 3, page 13](#)).

**26.** Boards continue to rely on non-recurring savings, which made up 63 per cent of the 2023/24 savings (Exhibit 3). This is contributing to boards being unable to close forecast deficits within their three-year financial plans ([paragraph 29](#)).



The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires councils and territorial NHS boards to work together in partnerships, known as **Integration Authorities (IAs)**. As part of the Act, new bodies were created – Integration Joint Boards (IJBs). The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Of the 31 IAs in Scotland, 30 are IJBs and one area, Highland, follows a Lead Agency model.



## Exhibit 3.

### NHS boards have been reliant on non-recurring savings in 2023/24

While most boards did not meet the three per cent recurring savings target, most did meet their planned savings.

NHS board	Savings made (£ million)			Savings target (£ million)	Savings made as a percentage of baseline RRL (%)
	Recurring	Non-recurring	Total		
<b>NHS Scotland</b>	<b>173.8</b>	<b>297.6</b>	<b>471.4</b>	<b>505.8</b>	<b>3.3%</b>
NHS Ayrshire and Arran	8.9	0.0	8.9	9.6	1.0%
NHS Borders	3.7	4.4	8.1	10.0	3.0%
NHS Dumfries and Galloway	4.0	13.0	17.0	10.4	4.4%
NHS Fife	3.0	5.2	8.1	15.0	1.0%
NHS Forth Valley	2.7	22.3	25.0	25.0	3.7%
NHS Grampian	12.4	5.1	17.5	16.6	1.4%
NHS Greater Glasgow and Clyde	52.0	138.9	190.9	190.9	6.7%
NHS Highland	8.1	5.5	13.6	29.5	1.6%
NHS Lanarkshire	3.2	27.6	30.8	56.5	2.0%
NHS Lothian	36.9	10.9	47.8	54.8	2.5%
NHS Orkney	0.9	2.9	3.8	3.8	5.7%
NHS Shetland	0.5	2.2	2.7	2.6	4.0%
NHS Tayside	14.6	26.3	40.9	30.0	4.1%
NHS Western Isles	2.6	3.0	5.6	5.6	5.7%
NHS 24	1.7	1.8	3.5	3.5	3.3%
NHS Education for Scotland	0.0	6.7	6.7	3.4	1.2%
NHS Golden Jubilee	1.8	4.9	6.7	6.7	8.1%
NHS National Services Scotland	6.2	6.6	12.8	12.7	3.2%
Healthcare Improvement Scotland	1.6	0.0	1.6	1.6	4.6%
Public Health Scotland	0.6	5.9	6.5	4.9	10.4%
Scottish Ambulance Service	8.4	3.6	12.0	12.0	3.0%
State Hospital	0.0	0.8	0.8	0.8	1.9%

Source: Audit Scotland analysis of NHS audited information

**27.** In 2023/24, the Scottish Government asked NHS boards to minimise all spending. It subsequently requested that all national NHS boards make additional savings of five per cent of baseline funding by halting, pausing or deferring certain spending programmes. The ability of some national boards to identify and make these savings was constrained by the nature of their baseline funding, for example if a larger proportion of spending is on staff costs.

**28.** Overall, national NHS boards achieved further savings equivalent to five per cent of their total baseline funding. For example, NHS Education for Scotland (NES) identified a further £6.9 million of in-year savings (five per cent of their baseline) on top of their £6.7 million targeted savings. Where boards were able to identify and make savings, funding was returned to the Scottish Government to support territorial boards.

### **NHS boards have deficits forecast over the next three years with reliance on one-off savings and rising costs creating a risk to financial sustainability**

**29.** In their three-year financial plans submitted to the Scottish Government, for 2024/25 to 2026/27, boards have continued to forecast increases in spending.

**30.** Boards are also increasingly citing their reliance on non-recurring savings, and therefore carrying forward underlying deficits into future years, as a risk to financial sustainability. This together with cost pressures explains why boards have been unable to plan to break even against forecast baseline budgets over the medium term ([Exhibit 4, page 15](#)).

**31.** Cost pressures were identified by boards in their three-year plans. These reflect some of the cost pressures highlighted in [paragraph 33](#) and in [Exhibit 5, \(page 16\)](#). Smaller and more rural boards often refer to recruitment challenges and continued high use of agency and bank staff. Other areas of challenge highlighted by boards include:

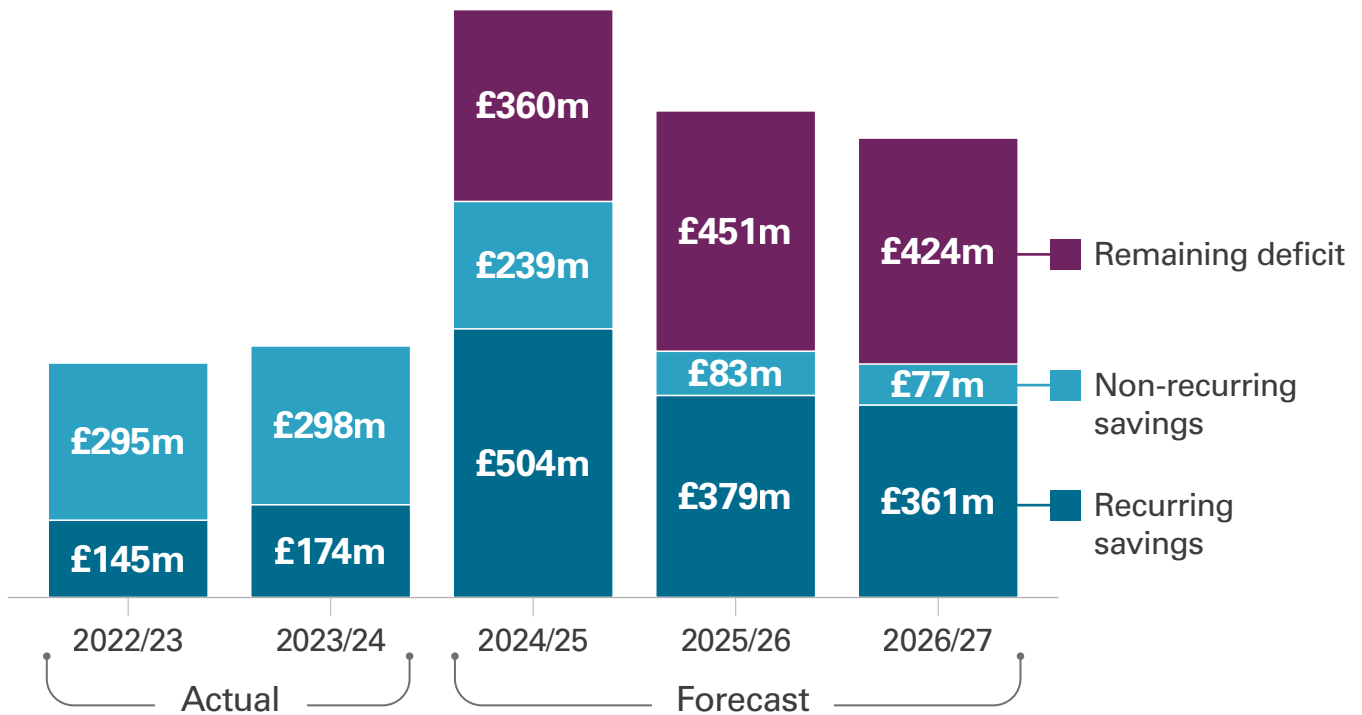
- making savings while managing increasing demand for services
- an ageing estate.

**32.** These challenges all contribute to NHS boards forecasting recurring deficits between 2024/25 and 2026/27, even if they achieve ambitious savings targets.

## Exhibit 4.

### Significant deficits are forecast over the next three years

This is expected to be the case even if savings are achieved and more savings are recurring.



Notes:








1. The total for 2023/24 differs from Exhibit 3 because of rounding.
2. Planned savings in 2024/25 are equivalent to 3.7 per cent of baseline RRLs. Planned savings in 2025/26 and 2026/27 are 3.1 and 3.3 per cent of forecast baseline RRLs. Remaining deficit is against forecast core RRLs.
3. Figures from 2023/24 onwards have not been adjusted by Audit Scotland as they were adjusted by boards when preparing their financial plans.

Source: Audit Scotland analysis of NHS audited information and the Scottish Government's summary of NHS board three-year financial plans submitted by NHS boards in 2024

## Exhibit 5.

### Boards faced significant cost pressures in 2023/24, many of which are likely to continue

Staff and prescribing costs are two areas which drive increases in spending.

Expenditure 2023/24		Change since last year <sup>1</sup>		Change since five years ago <sup>1</sup>		
	<b>Net expenditure</b>	<b>£18.4 billion</b>	↑	2.1%	↑	20.4%
	<b>Staff costs</b>	<b>£10.6 billion</b>	↑	2.5%	↑	18.4%
	Medical and dental staff	£2.5 billion		3.5%		
	Nursing and midwifery	£4.0 billion		2.9%		
	Other staff, including AHPs	£4.1 billion		1.5%		
	<b>Agency staff costs<sup>2</sup></b>	<b>£357.5 million</b>	↓	-11.9%	↑	45.7%
	Medical agency	£129.6 million		2.0%		
	Nursing agency	£151.2 million		-16.1%		
	<b>Nursing bank<sup>3</sup></b>	<b>£338.8 million</b>		14.8%		
	<b>Prescribed drugs costs</b>	<b>£2.3 billion</b>	↑	2.4%	↑	5.2%
	In primary care	£1.2 billion		2.0%		-2.2%
	In secondary care	£1.1 billion		2.8%		15.4%
	<b>Net capital expenditure</b>	<b>£486.5 million</b>	↓	-13.4%	↑	43.6%
	<b>Clinical negligence and other risks indemnity scheme (CNORIS)</b>	Set aside to manage future potential clinical negligence payments <b>£824.9 million</b>	↓	-3.5%	↓	-2.9%

Notes:

1. All changes are in real terms.
2. Overall agency staff costs include other staff costs as well as the medical agency and nursing agency detailed.
3. Costs related to the use of the nursing bank are not included within agency costs, or separately disclosed in NHS board accounts, but are published by NES.

Source: Audit Scotland analysis of NHS boards' 2023/24 audited accounts and NES workforce statistics

## NHS boards faced significant increases in costs in 2023/24, with increases forecast to continue

**33.** NHS boards' ability to identify and make planned savings is affected by in-year cost pressures, for example in relation to staffing, prescribing and medical supply costs and general inflationary pressures.

**34.** Boards were successful in reducing spending on agency staff. Capital spending was also reduced, partly reflecting the pause in new projects ([paragraph 51](#)); and there were reductions in central costs for NHS boards related to the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) (Exhibit 5).

## Most NHS spending is on staff costs and recent pay deals mean significant medium and longer-term spending commitments

**35.** Staff costs account for almost 60 per cent of annual NHS costs. In 2023/24, NHS boards spent £10.6 billion employing staff (a 2.5 per cent real terms increase from the £9.8 billion spent in 2022/23). Commitments on pay, and terms and conditions play an important role in recruiting and retaining staff. Increases in staff costs are the result of annual pay increments and nationally agreed pay deals as well as increases in staff numbers. [Exhibit 11, \(page 38\)](#) shows growth in staff numbers in recent years.

**36.** There is uncertainty around whether pay deals being negotiated in the rest of the UK will be funded from existing budgets or will be new allocations. This may mean there will be no additional funding for Scotland for the NHS pay deals through the Barnett funding mechanism.

**37.** In 2023/24, the Scottish Government increased NHS boards' budgets by a total of £526 million to cover new commitments, including about £390 million for pay deals. This included the average pay increases of 12.4 per cent and 6.5 per cent agreed on with resident doctors (previously junior doctors) and **Agenda for Change** staff respectively. This, however, did not cover the full costs of pay deals to boards. As [paragraph 25](#) sets out, the Scottish Government expect that the efficiency savings that NHS boards can retain, through their annual three per cent targeted savings, can be used to support other spending. This allows for additional funding to be directed to support pay commitments, as it assumes that the savings that boards make act as an effective increase to operational budgets.

**38.** Pay deals for NHS staff in Scotland have now been agreed. A pay offer of an average 5.5 per cent increase for Agenda for Change staff, an offer of 10.5 per cent increase for NHS consultants, and an offer of 11 per cent increase for resident doctors (formally called junior doctors) has been agreed. The Scottish Government has already informed boards



### The **Agenda for Change**

agreement includes nurses, midwives, paramedics, allied health professionals, porters and others.

that additional funding will be made available to support these pay offers. The £116 million of health and social care savings will support boards in meeting these additional costs ([paragraph 16](#)).

## **Spending on agency staff was reduced in 2023/24, reversing recent trends, but is still significantly higher than five years ago**

**39.** Following years of annual increases, the total amount that NHS boards spent on agency staffing reduced in the past year, falling from £382 million in 2022/23 to £358 million in 2023/24 (cash terms), with 12 boards spending less than the previous year. Adjusting this for inflation, spending fell by almost £50 million in real terms (12 per cent) and 16 boards spent less in these comparable terms.

**40.** Early in 2023/24, the Scottish Government removed financial flexibilities that were introduced during the Covid-19 pandemic to allow boards to respond to staffing needs. This will have contributed to the reduction in spending. Boards have reduced their reliance on agency staff and made better use of their own nursing banks as part of savings programmes ([paragraph 89](#)), bringing financial benefits and continuity in care. But spending on agency staff remains over 45 per cent higher in real terms than five years ago.

## **A lack of certainty about medium-term financial plans remains, and late funding allocations continue to make in-year financial management more difficult for boards**

**41.** The absence of national plans that provide indicative medium-term financial planning assumptions, workforce projections and national priorities, continues to affect the ability of individual boards to identify the types of service transformation and reforms that are now necessary ([Appendix 2, page 44](#)).

**42.** The Scottish Government continues to allocate elements of funding on a one-off basis and towards the end of the financial year. This includes additional funding in budget revisions and brokerage, but also other non-recurring funding. This makes managing budgets in-year more difficult for boards. While boards have their own three-year financial plans in place, the absence of national plans makes it difficult for boards to plan over the medium term. Further progress is needed to provide more certainty for boards and allow them to effectively manage their budgets in-year and over the medium term.

**43.** The Scottish Government is helping boards achieve financial balance over the medium term by monitoring and engaging with individual boards, while also progressing national initiatives through the Scottish Government's Finance Delivery Unit (FDU). Part of the FDU's remit is to

liaise with its UK counterparts to learn from health systems across the UK that are facing similar financial challenges.

**44.** The FDU has engaged with NHS boards and embedded improvement tools into both in-year financial management processes and financial planning processes. A 15-box grid has been used by boards in 2023/24 to highlight savings opportunities, examples of good practice and to encourage learning. The FDU also met a commitment to distribute 80 per cent of total funding to boards in the first quarter of 2024/25.

**45.** The FDU is continuing to develop a suite of financial benchmarking measures and add them to the **Discovery** tool which provides service performance indicators to boards. Work is also ongoing to develop the Patient-level Information and Costing System (PLICS) pilot and roll it out across boards.

**46.** Individual boards are more actively monitoring their in-year position and savings, for example by forming new savings boards or through existing oversight groups meeting more frequently.

## The Scottish Government is capping the additional financial support it will provide to boards in 2024/25

**47.** The Scottish Government has advised those boards that received brokerage in previous years that further loans would be capped in 2024/25. This reflects the increasing pressures on the health and social care budget and that funding given for brokerage, limits wider investment.

**48.** Boards submit their three-year financial plans to the Scottish Government for approval in March each year. For 2024/25 and 2026/27, the Scottish Government asked boards to include the following:

- plans to improve on the board's 2023/24 position
- plans to meet the three per cent recurring savings target
- a credible plan to meet any brokerage cap that the Scottish Government had previously communicated to boards.

**49.** The NHS Scotland Support and Intervention Framework recommenced in 2023/24.<sup>5</sup> Financial engagement arrangements outlined in our [NHS in Scotland 2023](#) report now form part of the support for boards at specific intervention stages. Boards that needed brokerage in 2023/24 have been advised of brokerage caps and have resubmitted initial financial plans. The Scottish Government will monitor and engage with these boards more regularly as they look to return to a more financially sustainable position ([Exhibit 6, page 20](#)).



**Discovery** is an online management information system that provides approved users with access to comparative healthcare information. It supports performance and quality improvement across health and social care in Scotland.



## Exhibit 6.

### The NHS Scotland Support and Intervention Framework escalation levels, 2023/24 brokerage and 2024/25 brokerage caps

The majority of boards at higher escalation levels have required additional financial support.

NHS board	Primary factor for escalation	Financial support sought in 2023/24	Brokerage cap 2024/25
<b>Stage 5: The level of risk and organisational dysfunction is so significant that the NHS board requires direct intervention.</b>			
No boards at this level			
<b>Stage 4: Significant risks to delivery, tailored support is not producing improvements, senior level external support required.</b>			
No boards at this level			
<b>Stage 3: Significant variation from plan, risks materialising, tailored support package is required.</b>			
NHS Ayrshire and Arran	<ul style="list-style-type: none"> <li>Financial Management</li> </ul>	<b>£38.4 million</b> brokerage	<b>£27.7 million</b>
NHS Borders	<ul style="list-style-type: none"> <li>Financial Management</li> </ul>	<b>£15.5 million</b> brokerage	<b>£14.8 million</b>
NHS Forth Valley	<ul style="list-style-type: none"> <li>Governance, Leadership and Culture</li> </ul>	No brokerage required	
NHS Highland	<ul style="list-style-type: none"> <li>Financial Management</li> <li>Mental Health Performance</li> </ul>	<b>£29.5 million</b> brokerage	<b>£28.4 million</b>
NHS Orkney	<ul style="list-style-type: none"> <li>Financial Management</li> </ul>	<b>£5.2 million</b> brokerage	<b>£1.0 million</b>
NHS Tayside	<ul style="list-style-type: none"> <li>Mental Health Performance</li> </ul>	<b>£16.1 million</b> brokerage	<b>£17.2 million</b>
<b>Stage 2: Enhanced Monitoring, some variation from agreed plan(s), possible delivery risk if no remedial action is taken.</b>			
NHS Dumfries and Galloway	<ul style="list-style-type: none"> <li>Financial Management</li> <li>Mental Health Performance</li> </ul>	<b>£23 million</b> brokerage	<b>£22.0 million</b>
NHS Fife	<ul style="list-style-type: none"> <li>Financial Management</li> <li>Mental Health Performance</li> </ul>	<b>£14 million</b> brokerage	<b>£0 million</b>
NHS Grampian	<ul style="list-style-type: none"> <li>Financial Management</li> <li>Mental Health Performance</li> </ul>	<b>£24.8 million</b> brokerage	<b>£15.3 million</b>

Cont.



NHS board	Primary factor for escalation	Financial support sought in 2023/24	Brokerage cap 2024/25
NHS Greater Glasgow and Clyde	<ul style="list-style-type: none"> <li>Infection Prevention and Control</li> </ul>	No brokerage required	
NHS Lanarkshire	<ul style="list-style-type: none"> <li>Mental Health Performance</li> </ul>	No brokerage required	
<b>Stage 1: Steady State. NHS boards are delivering in line with agreed plans. Normal reporting arrangements in place.</b>			
NHS Lothian	Steady state	No brokerage required	
NHS Shetland	Steady state	No brokerage required	
NHS Western Isles	Steady state	No brokerage required	
All National Boards	Steady state	No brokerage required	

Notes:

1. The framework applies to NHS territorial boards only. National boards are covered by separate arrangements.
2. NHS Tayside is at level 3 for mental health performance and level 2 for financial management.

Source: Scottish Government

## Investment in new healthcare facilities remains paused and available budgets are not sufficient to maintain the existing estate

**50.** The health capital budget, like revenue funding, has been increasing in both cash and real terms but not all of it has been available to spend on new buildings and equipment or to maintain the existing estate. If funding for health research is excluded, the budget available to invest fell from £484 million in 2022/23 to £373 million in 2023/24. It will fall again in 2024/25 to £314 million.

**51.** The Scottish Government asked all NHS boards to review their capital expenditure during 2023/24 and to defer any discretionary expenditure, alongside its announcement to pause new projects, including the remaining national treatment centres (NTCs). Capital funding is now focused on maintaining the existing estate and completing projects already in construction. Reductions mean that the intention to double spending on maintenance over the current capital spending review period (2021/22 to 2025/26) will not be possible. These capital spending cuts will impact on the NHS's ability to address the pressures it is currently facing as well as investing in longer-term reform such as innovation and technology.

**52.** The general allocations made to NHS boards will be maintained in 2024/25, and all major projects under construction will be funded until they are complete (including Baird Family Hospital and ANCHOR Centre, Parkhead Health Centre, Queen Elizabeth University Hospital rectification and Golden Jubilee Phase 2). Funding will also be available for national programmes to replace ambulances and radiotherapy equipment. However, there is no indication of when investment in new projects, including the planned NTCs, will resume.

**53.** Boards are therefore now focusing on managing their existing assets and estates. This means having to keep increasingly older properties and equipment in good working order to ensure that patients are treated in safe environments. Boards have limited ability to increase capacity and the risk that elements of the estate will need to be closed (temporarily or permanently) is increasing. Estimates provided to us by boards, which will form the basis of upcoming Scottish Government publications on the age and condition of the NHS estate and 2023/24 spending, respectively, indicate that the costs of maintaining buildings, and general spending on utilities, will continue to increase.

**54.** As part of its preparations for a national capital investment and asset management strategy, the Scottish Government has asked all boards to submit updates on their existing estates, including estate management plans, by January 2025. Submissions must include maintenance only business continuity plans. These should be based on risk assessments of the existing estate, reflecting the increased risk of asset failure as buildings age and will provide a baseline of infrastructure need for Scotland.

## **NHS boards have commitments to paying significant sums as part of Public Private Partnership contracts. This will continue to affect budgets**

**55.** Alongside investing and maintaining their own estates, NHS boards have made use of a range of different Public Private Partnership (PPP) contracts to make additional investments in health facilities. Under such contracts, the NHS board makes annual payments to the company tasked with building, maintaining and managing new facilities. Between 1997 and 2022, NHS Scotland signed around 50 of these contracts to build healthcare facilities worth £2.2 billion. Since then, £4.8 billion has been paid in **annual unitary charges**. A further £5.8 billion of payments is due before the last contract ends in 2045/46 ([Exhibit 7, page 23](#)).

**56.** A number of early private finance initiative (PFI) contracts are now nearing the end of their terms. The Scottish Government and NHS boards are now having to prepare for, and manage, complex closing arrangements which will potentially affect NHS boards' revenue and capital budgets ([Case study 1, page 24](#)).



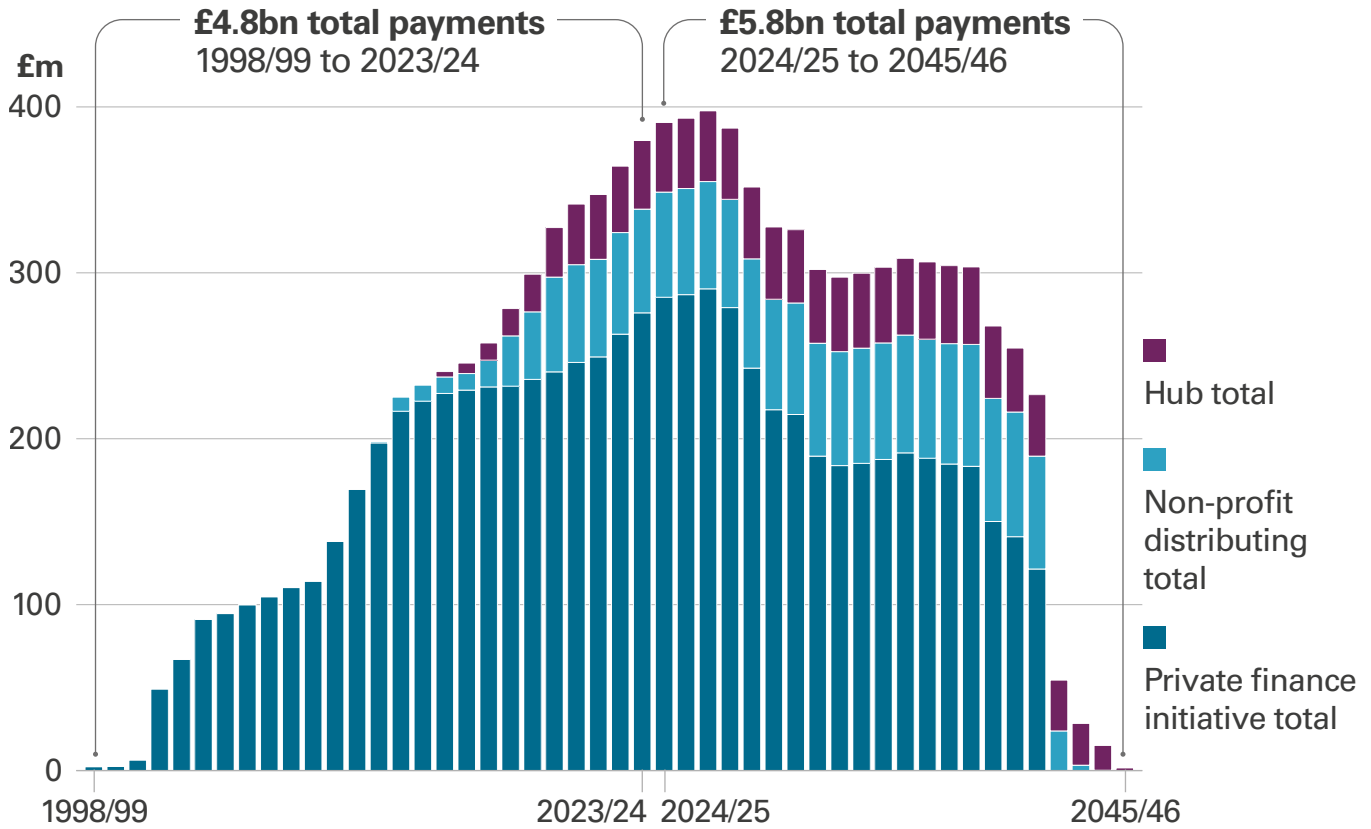
### **Annual unitary charges**

These are the contractual payments that the public sector makes each year to the company set up to design, build, finance and manage the asset. The payments cover: interest charges; repayment of the money borrowed; ongoing maintenance of the asset; any other services the company is providing. The first two parts of this payment are generally fixed. Those related to maintenance and other services are often linked to inflation.

## Exhibit 7.

### Annual unitary charges payable under Public Private Partnership contracts

From 2024/25 until the final contract ends in 2045/46, NHS Scotland will make a further £5.8 billion of annual payments.



Source: Scottish Government and HM Treasury data as at 31 March 2023

## Case study 1.

### Management of expiring Public Finance Initiative (PFI) contracts

**Since the 1990s, a range of PPP contracts have been used to invest in additional public infrastructure. The Auditor General for Scotland and Accounts Commission reported on the successors to PFI, the non-profit distributing (NPD) and hub models, in a 2020 audit of privately financed infrastructure investment.**

The contracts all involve creating a project company to build, maintain and manage the asset over the contract period (generally 25–30 years). The public sector then makes annual payments from its revenue budgets to use this asset. Contracts can cover a large building (such as a hospital) or multiple smaller buildings (such as health centres).

Newer contracts are more standardised, with the assets (maintained to an agreed standard) transferred automatically to public ownership at the end of the contract. For some earlier PFI contracts the transfer does not happen automatically and is subject to negotiated additional payments.

Under earlier PFI contracts, the assets can remain with the project company at the end of the contract period, if the NHS board does not pay a negotiated exit fee, be subject to an agreed extension of the contract or be transferred to the NHS board at a fixed cost. In some cases, the board needs to undertake a procurement exercise to provide the service elements of the contract (such as maintenance), even after ownership of the asset has been transferred to the NHS board.

Some smaller PFI contracts were for shorter periods, with a small number bought out by the public sector before the contract was due to end. Most PFI contracts, however, are still active and many are approaching their end dates.

Six NHS Scotland PFI contracts are due to expire before 2030:

- NHS Greater Glasgow and Clyde: Larkfield (2026)
- NHS Highland: New Craigs Hospital (2025)
- NHS Lanarkshire: Wishaw General (2028)
- NHS Lothian: Tippethill Hospital (2025), Ellen Glen's House (2029)
- NHS Tayside: Carseview Centre (2026).

In addition to this the PFI primary period of NHS Lothian's Royal Infirmary of Edinburgh ends in 2027.

A joint NHS National Services Scotland and Scottish Futures Trust team are supporting the boards in managing the contract end periods, including the inspection of the condition of assets and the negotiation of any contractual terms or exit payments.

The expiring contracts have a range of exit options. Boards have already entered into negotiations about paying exit fees, extending the contracts for a shorter fixed period, and notifying the company of their intention to staff and maintain the buildings in-house.

All of these options come at a cost to NHS boards. While their annual payments under the contracts will stop, expiring contracts will continue to affect both revenue budgets and capital budgets. The Scottish Government have already committed to meeting the contractual payment that NHS Tayside will need to make for the Carseview Centre (capped at £1.5 million).

It is important that the Scottish Government ensures that learning from current negotiations is shared across the sector and wider public sector. It must also provide certainty about what support it will offer for facilitating asset purchases or transfers (capital costs) and, subsequently, for ensuring that services continue to be provided by boards to patients (revenue costs).

Source: Audit Scotland

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## 2. Operational performance and challenges

The NHS in Scotland is currently not able to keep up with increasing demand across the health and social care system

### Scotland's NHS is still struggling to deliver care in a timely way; most waiting times standards are not being met

**57.** Our [NHS in Scotland 2023](#) report noted that Scotland's NHS boards were not meeting most waiting times standards. This is still the case, with only two out of nine national standards that we looked at for this report being met as at the quarter ending June 2024. Performance against five of the standards improved in the year to June 2024, but overall performance has not changed markedly at a national level in the last year ([Exhibit 8, page 27](#)).

**58.** Performance against individual standards varies across boards, shown in [Appendix 3, \(page 46\)](#). Three standards, however, have not been met by any board in the last year, reflecting the continued growth in demand for services and in waiting lists for planned care:

- people referred for a new outpatient appointment should be seen within 12 weeks
- people should begin inpatient/day case treatment within 12 weeks of the decision to treat
- people referred for planned care should begin treatment within 18 weeks.

**59.** Although waiting times standards are an official measure of performance, they do not provide a comprehensive picture of service performance. Performance against the standards continues to be influenced by the backlog of care that built up during the pandemic, efforts to reduce the number of long waits for planned care, the availability of staff and hospital beds, and other factors that affect activity and capacity.

**60.** There are, however, some areas of improvement. Over the last year, performance against the Child and Adolescent Mental Health Services (CAMHS) standard, while still not reaching the national target of 90 per cent of people referred starting treatment within 18 weeks, increased by 10.3 percentage points from 73.8 per cent for the quarter ending June 2023 to 84.1 per cent for the quarter ending June 2024.<sup>6</sup>

## Exhibit 8.

### Performance against key waiting times standards, June 2019 to June 2024

Only two of nine waiting times targets were being met by the end of 2023/24.



Notes:

1. Child and Adolescent Mental Health Services (CAMHS).
2. Drug and alcohol standard includes community and prison-based services only.
3. The cancer waiting times standards do not apply to all referrals/cancers.
4. National trend data for the referral to treatment standard is unavailable for some quarters.

Source: Public Health Scotland

Two boards have shown a notable and sustained improvement against this standard. NHS Forth Valley saw an increase from 33.4 per cent of people starting treatment within 18 weeks in the quarter ending June 2023 to 97.9 per cent in the quarter ending June 2024 ([Case study 2, page 29](#)), and NHS Tayside saw an increase from 61.9 per cent in the quarter ending June 2023 to 97.9 per cent in the quarter ending June 2024.

**61.** In its Programme for Government 2024–2025, the Scottish Government set out an aim to clear backlogs for CAMHS services by December 2025.<sup>7</sup> Learning from improvements and sharing lessons learned across boards will be important if this is to be achieved.

### **Planned care activity has increased in the last year, but so has demand, so waiting lists continue to grow**

**62.** The number of both new outpatient attendances and inpatient/day case admissions have increased steadily over the last three years, but planned activity remains lower than before the pandemic. In the year to June 2024, there were 1.26 million outpatient attendances at a consultant led clinic and 250,880 inpatient/day case admissions. The equivalent attendances and admissions in the year to June 2019 were 1.43 million and 279,937 respectively ([Exhibit 9, page 30](#)).<sup>8</sup>

**63.** The number of ongoing waits has continued to grow in the last year. The rate of increase in ongoing waits has started to slow for both outpatients and inpatient/day cases, however overall activity remains lower than before the pandemic. The number of new outpatient ongoing waits increased by seven per cent in the year to June 2024, compared with the previous year's increase of 16.5 per cent. The ongoing waits for inpatient/day cases increased by 3.95 per cent in the year to June 2024 compared with an increase of 7.9 per cent in the previous year (Exhibit 9).

**64.** Waiting lists and waiting times continue to be particularly long for some specialties. For example, nearly a third of waits for inpatient/day case treatment are for an orthopaedic procedure, and the number of waits for this specialty increased to 45,984 in the year to March 2024 (+2 per cent). Orthopaedics has the highest number of ongoing waits lasting over 18 months (5,082 or 11 per cent of all ongoing waits within this specialty).



## Case study 2.

### Positive change for Child and Adolescent Mental Health Services (CAMHS) in NHS Forth Valley

NHS Forth Valley set out to improve its performance against the national waiting times standard for CAMHS, which is that 90 per cent of people referred should start treatment within 18 weeks. NHS Forth Valley last met this standard in March 2019, and other NHS boards are also finding it hard to meet.

In January 2022, NHS Forth Valley implemented the Choice and Partnership Approach (CAPA). CAPA focuses on the service user and their family. The CAPA model has been used with success in other areas of the UK and in Australia, New Zealand and Canada. It aims to increase the range of treatment options available and ensure oversight of demand for the service and capacity. The CAPA model is centred on a 7 Helpful Habits Assessment Scale that services can evaluate themselves against and make improvements accordingly. These habits are:

- handling demand
- extending capacity
- letting go of families
- process mapping
- flow management
- using care bundles
- looking after staff.

NHS Forth Valley has increased its capacity by recruiting dedicated CAMHS professionals. The board, along with NES, is also looking into training opportunities to enhance the skill set of the whole team.

As at the end of May 2024 there were no children or young people on the waiting list for more than 18 weeks for an initial assessment. In comparison to May 2023 where there were 217 patients waiting more than 18 weeks for an initial assessment, of which 28 patients had been waiting over 52 weeks to start treatment.

Source: Audit Scotland using information from NHS Forth Valley

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## Exhibit 9.

### New outpatient and inpatient/day case waiting list activity, size and waiting times

Planned care activity has increased in the last year, but so has demand, and so waiting lists continue to grow.

New outpatient waiting list activity	Year to June 2019	Year to June 2023	Latest year to June 2024	Latest year change
Attendances	1,435,767	1,231,060	1,264,565	↑ 2.7%
New outpatient ongoing waits and waiting times <sup>1</sup>	End of June 2019	End of June 2023	End of June 2024	Latest year change
Number of ongoing waits	323,403	521,447	558,896	↑ 7.0%
Waits over 1 year	3,670	37,544	58,191	↑ 54.9%
Waits over 18 months	1,237	5,410	12,331	↑ 127.9%
Waits over 2 years	845	1,202	2,024	↑ 68.3%
Inpatient/day cases waiting list activity	Year to June 2019	Year to June 2023	Latest year to June 2024	Latest year change
Admissions	279,937	227,297	250,880	↑ 10.4%
Inpatient/day case ongoing waits and waiting times	End of June 2019	End of June 2023	End of June 2024	Latest year change
Number of ongoing waits	76,234	149,643	155,558	↑ 3.9%
Over 1 year	1,904	36,437	37,972	↑ 4.2%
Over 18 months	645	17,045	17,263	↑ 1.3%
Over 2 years	251	6,730	7,146	↑ 6.2%

Note 1. Before October 2019, the new outpatient waiting lists included some patients waiting for a diagnostic test. These patients are no longer included in this list, so caution is needed when comparing figures with those of later years.

Source: Public Health Scotland

## Commitments to reduce the backlog of care have yet to be met

**65.** In July 2022, the Scottish Government announced targets to eliminate long waits for new outpatients and inpatient/day cases in most specialities.<sup>9</sup> Although some progress has been made in clearing the longest waits (over three years), key targets for eradicating long waits have been missed and ongoing waits in all three measures (waits over two years, 18 months and one year) have increased over the last year (Exhibit 9):

- At June 2024, there were 2,024 ongoing waits for a new outpatient appointment, where patients have been waiting for over two years, across 24 out of 41 specialities.
- At June 2024, there were 7,146 ongoing waits for inpatient/day case treatment, where patients have been waiting for over two years, across 19 out of 30 specialties.

**66.** The Scottish Government renewed its commitments to reduce waiting lists and waiting times year-on-year in its policy prospectus in April 2023.<sup>10</sup> But as noted, waiting lists and waiting times have increased over the year to June 2024 (Exhibit 9). We recommended, in our [NHS in Scotland 2023](#) report, that the Scottish Government confirm which indicators will be used to measure year-on-year reductions in waiting times but this has not been done. Being transparent on the measures to be used will be important in assessing progress and planning further activity.

## Unless the NHS in Scotland increases hospital activity and transforms services to focus on prevention and care closer to home, it is likely that waiting lists and waiting times will continue to grow

**67.** As outlined in Exhibit 9, overall planned care activity is still running below pre-pandemic levels. In its annual Scottish budget report, published in February 2024, the Institute for Fiscal Studies analysed Scottish health spending, staffing and activity. The findings from its work suggests that, following the pandemic, even with more money and staff, hospital productivity has fallen significantly. The Institute for Fiscal Studies concluded that, 'without a substantial boost to hospital productivity, there is a risk that even additional funding and staffing will not bring the Scottish NHS back to pre-pandemic performance'.<sup>11</sup>

**68.** Measuring NHS productivity is complex and different factors could be contributing to the reduction in activity in hospitals. These include, a lack of investment in infrastructure, workforce factors (such as the impact of vacancies and increased staff absence), patients requiring more care in hospital because they are sicker than before the pandemic and difficulties in discharging patients from hospitals.<sup>12, 13</sup>

**69.** Our NHS in Scotland 2023 report detailed the progress made on developing a network of National Treatment Centres (NTCs). NTCs are one of the Scottish Government's key measures aimed at increasing activity and addressing waiting lists. The original commitment made in the NHS Scotland Recovery Plan 2021–2026 was for ten new NTCs to deliver 55,000 additional inpatient/day case procedures by 2026.<sup>14</sup> Five NTCs are now operational but a pause on the development of the remaining five NTCs was announced at the end of 2023.<sup>15</sup> No date has been set for these projects to be restarted ([paragraph 52](#)).

**70.** In its Programme for Government 2024–2025, the Scottish Government has reiterated a commitment to 'strengthen the performance of the NHS...and tackle waiting times and backlogs'.<sup>16</sup> This programme includes a range of commitments to increase activity and improve productivity.

**71.** The gap between capacity and demand is likely to grow in the coming years without further intervention. The gap is unlikely to be bridged solely through performance improvements unless planned care capacity is increased and there is a transformation in services and models of care which focus on prevention ([paragraph 100](#)) and care closer to home.

## **Unscheduled care continues to experience sustained pressure resulting in accident and emergency waiting times remaining considerably below target**

**72.** According to activity data published by Public Health Scotland (PHS), there are fewer unplanned A&E attendances now than before the pandemic.<sup>17</sup> In the year to August 2019 there were 1.7 million unplanned A&E attendances. This compares with 1.6 million in the year to August 2024. There are, however, now attendances at A&E that are scheduled, as part of flow navigation initiatives. PHS intend to include planned attendance figures in published statistics from February 2025.

**73.** The A&E waiting time standard is an important indicator of pressure throughout the acute care system. It states that 95 per cent of people attending A&E should be seen and admitted, discharged or transferred within four hours. Performance against the four-hour standard has remained about 70 per cent nationally with a high number of waits over 12 hours. Performance in the most recent month (August 2024) has fallen and is lower than at the same point a year ago.

**74.** An expert group was created in October 2023 to review the emergency access standard. The review considered which patients should be included in the standard, based on new models of care and service delivery, and how the standard could be applied consistently across NHS Scotland. The recommendations of the expert group have now been published and are now being used by PHS to develop new

reporting guidance for boards, with planned attendances to be included within the emergency access standards. The revised standard will be in place from December 2024.<sup>18</sup>

## The Scottish Government and NHS boards have been working to find ways to make sustainable improvements in unscheduled care

**75.** There are activities taking place to improve performance in unscheduled care. This includes initiatives through the Urgent and Unscheduled Care Collaborative:

- urgent care pathways in the community
- flow navigation centres/redesign of urgent care
- Hospital at Home services
- assessment and care pathways in Accident and Emergency (A&E) departments
- and hospital discharge planning.

**76.** Flow navigation centres and the redesign of urgent care aim to reduce the number of people who self-present at hospital, particularly when this is not the best place for them to receive care. When they need to attend an A&E department patients can be offered a scheduled or 'planned' time to attend.

**77.** The Centre for Sustainable Delivery (CfSD) also recently carried out work in each NHS board to identify opportunities for improving unscheduled care. Data supplied by each health board and health and social care partnership (HSCP), along with nationally available data was used to identify the best opportunities for improvement. Across health boards the greatest opportunities that were identified included reducing the length of stay of over 14 days for non-delayed patients and increasing short stays of less than 72 hours.

**78.** Reports for each board, outlining the improvement aims, were shared in February 2024. Boards are now implementing their own improvement plans. For example, NHS Lothian was issued with 12 areas for improvement and is putting in place initiatives as part of their delivery plans and work with the HSCP on a discharge framework, these include:

- optimising the public 111 pathway and signposting and scheduling of minor injury appointments
- reviewing models of care with the aim of increasing the number of patients on accelerated pathways and discharged within 48 hours of admission.

**79.** The Scottish Government is now putting in place monitoring plans for the next phase of this improvement work.

## Delayed discharge rates are at their highest on record and hospital occupancy is still putting pressure on the health and care system

**80.** The number of patients whose discharge is delayed continues to impact on the ability of a hospital to move patients through the hospital to the right care and treatment. Patients whose discharge is delayed can also have poorer experiences and poorer outcomes. Delayed discharges are now at the highest levels since the current guidance came into place in July 2016.

**81.** The year to March 2024 saw 666,190 days spent in hospital by people whose discharge was delayed. These delays represent an average 1,820 daily hospital beds used by people delayed in their discharge and is the highest annual figure on record.

**82.** The average number of beds occupied by delayed discharges also continued to increase throughout the summer months in 2024. This means that the winter period, which typically experiences higher overall demand and a surge in delayed discharges, will begin under significant pressure. By August 2024, the average daily number of beds occupied by delayed discharges was 2,000, this is higher than the peak in November 2022 (1,950) and is the highest monthly number since the current guidance came into place in July 2016.

**83.** The severity of the situation varies among NHS boards and local authority areas. NHS Highland has a high number of patients whose discharge has been delayed, relative to the size of its population, whereas in NHS Tayside the situation is relatively low. The Scottish Government has created a rapid peer review and response team to deploy additional support and provide practical help and capacity to the boards and HSCPs that are experiencing the most challenge in sustaining a reduction in delayed discharges.





**84.** The average occupancy rate for acute specialty beds across NHS Scotland was 87.5 per cent for the year ending to March 2024. The Delayed Discharge and Hospital Occupancy Plan ([Exhibit 10, page 35](#)) indicates that boards should be aiming for a hospital occupancy rate of around 85–89 per cent. This annual figure does not capture the variation among hospitals or peaks in particular months or weeks. Board-level data shows that six boards had an average hospital occupancy rate above 90 per cent in 2023/24.

**85.** Hospital occupancy rates and patient flow are affected by the number of delayed discharges, but also by the length of time patients stay in hospital even when their discharge is not delayed. The average length of stay associated with all inpatient discharges, delayed or otherwise, had been decreasing prior to the Covid-19 pandemic (to a low of 6.08 days in 2018/19). It has increased in recent years although fell this year from a peak in 2022/23 (6.7 days in 2023/24 compared with 7.1 days in 2022/23).

## Exhibit 10.


### Delayed discharges

The Scottish Government has put in place a number of initiatives to help reduce delayed discharges.

Initiative	Description
 <b>Delayed Discharge and Hospital Occupancy Plan (The Plan)</b>	<p>The Delayed Discharge and Hospital Occupancy Plan was issued to boards in March 2023. It is the main plan for boards to implement or mainstream actions. Boards are now carrying out self-assessments against the plan.</p>
 <b>Collaborative Response and Assurance Group (CRAG)</b>	<p>CRAG was set up by the Scottish Government and Convention of Scottish Local Authorities (COSLA), in July 2024, to look at the pressures caused by delayed discharge and take action to achieve a sustainable reduction in delayed discharge.</p> <p>CRAG meets weekly and is co-chaired by the Cabinet Secretary for NHS Recovery, Health and Social Care and the COSLA spokesperson for Health and Social Care.</p> <p>CRAG agreed to reduce the number of people whose discharge was delayed to pre-pandemic levels before the beginning of winter 2024. This reduction looks unachievable given that the latest figures show an overall continued increase (<a href="#">paragraph 80</a>).</p>
 <b>Rapid peer review and response team</b>	<p>Set up by the Scottish Government to deploy additional support and provide practical help to the NHS boards and HSCPs that are having difficulty in sustaining a reduction in delayed discharges.</p>
 <b>Improved data</b>	<p>For 2023/24 this workstream within 'the plan' has focused on ensuring timely and consistent data is available. It aims to help understand the problem and variation in improvement across Scotland.</p> <p>Two dashboards have been developed to monitor system resilience, and to inform national and local decision-making about how to prioritise targeted support:</p> <ul style="list-style-type: none"> <li>• The Social Care Response and Delayed Discharge dashboard – to improve access to information relating to delayed discharges and care home/care at home activity and capacity.</li> <li>• The Health and Social Care Whole System and Winter (situational) dashboard – to improve information about seasonal winter illnesses and more than 30 indicators of whole system performance (for example NHS 24, ambulance service, A&amp;E, delayed discharge, care homes/care at home, staff sickness data).</li> </ul>

Cont.



Initiative	Description
 <b>Hospital at Home</b>	<p>Hospital at Home helps to reduce unscheduled care attendances, hospital admissions and delayed discharges. It allows acute care to be provided to more patients in their own homes and has lower overall running costs than inpatient capacity. It is reported to have prevented over 14,000 older people from spending time in hospital between April 2023 and March 2024.</p> <p>The Scottish Government has funded Hospital at Home directly but despite achieving its impact funding decisions have meant that additional Scottish Government funding for Hospital at Home has not been continued beyond March 2024. Some boards have stepped down this capacity or have not been able to expand the service this year.</p>

Source: Audit Scotland using information from Scottish Government

## Measures to tackle delayed discharges have been put in place but these have still to demonstrate impact

**86.** Alongside work to reduce attendances, admissions and length of hospital stay, the Scottish Government has put in place initiatives to help reduce delayed discharges (Exhibit 10).

**87.** The Scottish Government's Programme for Government published in September 2024, reiterated its commitment to reducing delayed discharges and the variation in practice across Scotland. It outlined activities such as ensuring that partners work together to support effective discharge and reducing hospital admissions by providing the right care in the right setting including through Hospital at Home (Exhibit 10).

**88.** What is clear is that despite a lot of focused work, hospital flow has not yet improved. As at autumn 2024, several systemic pressures in NHS Scotland remained unresolved, despite long-term work focused on tackling them. Changing this situation will rely on the wider, more rapid and sustainable reform of services and investment in preventative measures. It will also require a shared sense of responsibility and collaboration across the whole system. The Auditor General plans to consider these issues further in an audit of [General Practice and progress with the 2018 General Medical Services contract](#) in early 2025.



## Despite growth in the workforce across several medical professions, vacancies remain unfilled and high levels of staff absences continue to put pressure on staff and the wider system

**89.** The workforce is the NHS's most important asset. The NHS depends on having the appropriate number of staff, in the right place, with the appropriate skills. The number of staff employed by the NHS in Scotland has increased over the last five years.<sup>19</sup> Boards' reliance on agency staff, is still higher than before the pandemic but it has decreased over the past year, while the use of bank staff has increased ([Exhibit 11, page 38](#) and [paragraph 34](#)).

**90.** The number of vacancies across professions remains a pressure although the picture is much improved since last year. There has been a decrease in vacancies in nursing and midwifery, allied health professions and medical and dental consultants.

**91.** The turnover rate for the NHS workforce has fallen to 6.6 per cent, from 9.4 per cent in 2022/23, although turnover rates for staff in medical roles remain above the average. Before the pandemic, the turnover rate was largely stable. It fell during the pandemic (5.2 per cent in 2020/21) and then rose sharply, partially due to the expiry of fixed-term contracts among temporary staff taken on during the pandemic (9.4 per cent in 2022/23). Early indications are that the turnover rate is returning to pre-pandemic levels.

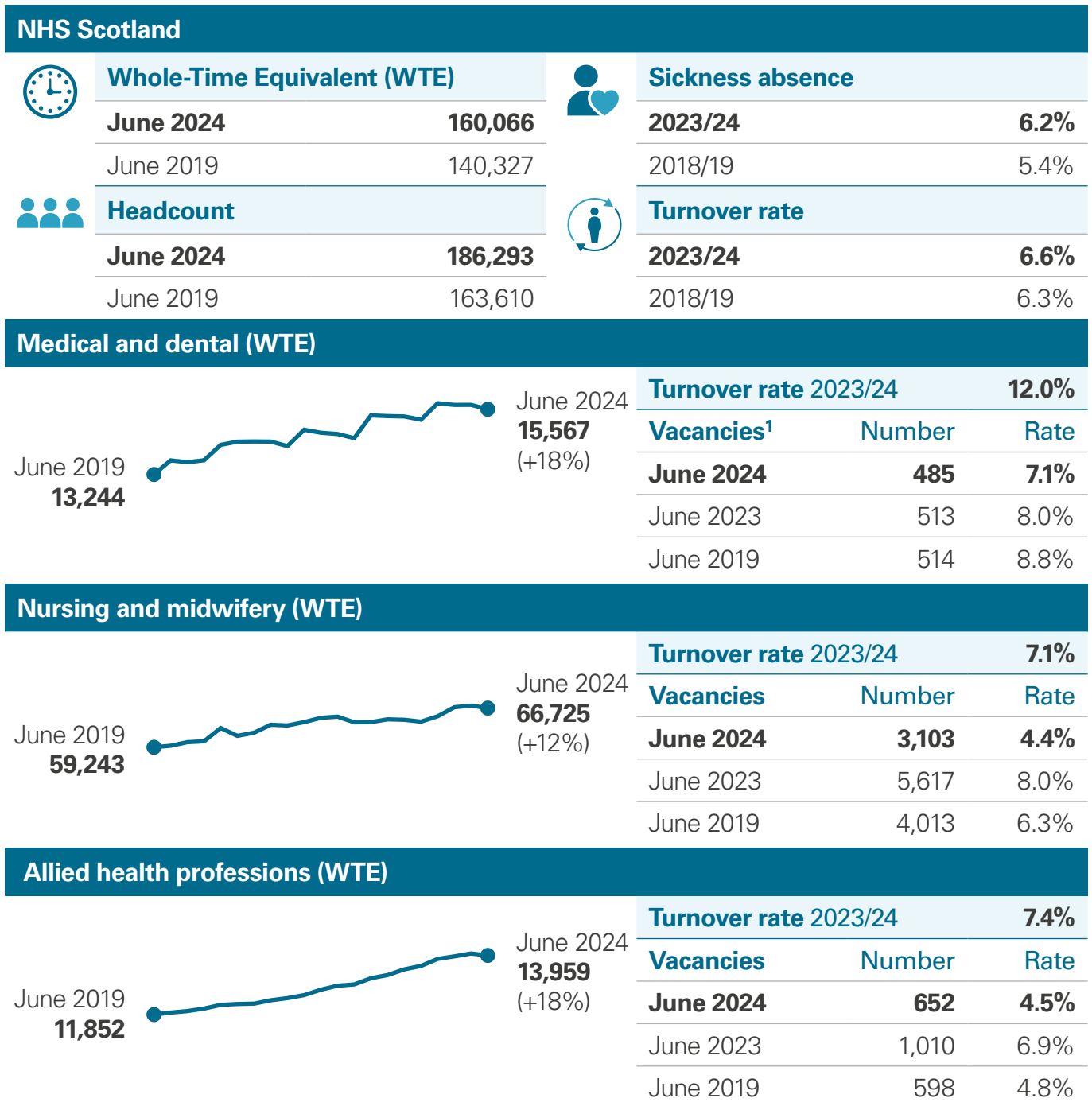
**92.** Workforce capacity is affected by high rates of sickness absence. The rate of staff sickness absence remained at 6.2 per cent, the same as in 2022/23, equivalent to 9,991 whole-time equivalent (WTE) staff over the year (WTE is the number of employees in an organisation adjusted to take part-time staff into account). This is above the four per cent national standard rate of sickness absence set by the Scottish Government, and is the highest rate reported in the last ten years.

**93.** [NHS in Scotland 2023](#) reported that there remains significant pressure on NHS staff. In July 2024, the [Scottish Government published a vision](#) to improve wellbeing and working cultures across the health, social care and social work workforce. They now plan to prepare an action plan to be shared with stakeholders by the end of the financial year that will outline the work to deliver the vision.<sup>20</sup>

## Exhibit 11.

### NHS Scotland workforce: June 2019 to June 2024

The NHS Scotland workforce has grown in the last five years, vacancies and turnover have decreased in the last year, but sickness absence remains high.



Note 1. Consultant grades only

Source: NHS Education for Scotland

## **The need for reform is more urgent than ever. Its scale and pace must increase if pressing capacity and affordability issues are to be addressed**

**94.** Over recent years we have regularly called for the NHS to drive forward innovation, reform and long-term fundamental change. Our [NHS in Scotland 2023](#) report made clear the urgency of the issues faced. This year's report details a worsening financial position and ongoing performance issues.

**95.** There are a range of projects and initiatives aiming to improve productivity and outcomes for patients but the impact of these across the system has yet to show evidence. That is why we call again this year, for clear and transparent annual progress reports on the work to reform services. These should show the effectiveness and value for money of new innovations and ways of providing NHS services.

## **The Scottish Government's restated vision for health and social care lacks significant operational detail in terms of how it will contribute to ensuring that services remain affordable**

**96.** In our NHS in Scotland 2023 report, we noted that a range of strategies, plans and policies are in place for the future delivery of healthcare, but that no overall vision had been set out. To shift from recovery to reform, the Scottish Government needed to lead the development of a national strategy for health and social care. It should include investment in preventative measures and put patients at the centre of future services. It should set out priorities that support system-wide reforms.

**97.** In response to this, in June 2024, the Cabinet Secretary for NHS Recovery, Health and Social Care described his overarching vision: 'a Scotland where people live longer, healthy and fulfilling lives'. He said this vision is supported by four key areas of work: improving population health, a focus on prevention and early intervention, providing quality services, and maximising access, with all of these underpinned by putting people at the heart of those services.<sup>21</sup>

**98.** But the Cabinet Secretary for NHS Recovery, Health and Social Care has also been clear that no work will be undertaken to produce a strategy that sets out how the Scottish Government intend to deliver this vision because it is felt that existing plans and strategies are already aligned to it. Yet, this vision is a restatement of the 2020 vision and is reliant on a number of the same delivery plans. Moreover, the 2020 vision was not delivered.

**99.** In the absence of a delivery plan, it remains unclear what the national priorities and plans for reform are; how these will be delivered; and how progress on achieving the vision and reforms will be measured and monitored.

## **An increased and ongoing focus on preventing ill health is needed to manage current and future demand for healthcare**

**100.** The Chief Medical Officer's 2023–24 annual report highlights the need to focus on a health and care system that focuses on 'equity, prevention and early intervention'. To manage current and future demand on the whole health and care system, a whole-system approach to improving the health of the Scottish population is essential. Without an increased and ongoing focus on prevention, it is likely that any increases in activity or short-term service reforms will remain insufficient to respond to growing demand.

**101.** To help support the vision outlined above, the Scottish Government and COSLA are leading on the development of a Population Health Framework. The framework is intended to take a cross-government and cross-sector approach to improve the factors which shape people's health and wellbeing.

**102.** It is intended that the framework will set out how the Scottish Government, COSLA, Local Government, the NHS and partners across business, the third sector and communities themselves, can focus on and increase primary prevention measures, which means actions that try to stop health problems happening (for example, by improving the conditions in which people work, live and grow). The framework is due for publication at the end of 2024.

**103.** The framework is a promising development but it remains to be seen what takes priority, how actions will be delivered and monitored, and whether the cross-government and cross-sector buy-in required, can be achieved.

## **Difficult choices will need to be made about what level and types of services can be provided in future**

**104.** The Scottish Government now need to focus more on longer-term reform, including difficult decisions about what the NHS should potentially stop doing. Difficult choices will need to be made about what level and types of services can be provided in future, including how and where they will be provided. It is likely that some fundamental changes may need to be made to the overall shape and focus of health and care services. These changes will directly affect us all. As such, it is important that citizens and communities are involved in the decisions that need to be made about how services might change in the future.

**105.** In June 2024, the Cabinet Secretary for NHS Recovery, Health and Social Care called for a 'national conversation' about how the health service can be reformed to help meet today's challenges while remaining free at the point of use. There is a lack of evidence of progress with this 'national conversation'.<sup>22</sup>

## **Effective leadership and good governance are required to support longer-term reform**

**106.** Effective leadership and collaboration are essential to enable the more radical decisions required around service reform. [Our report on the Scottish Government's approach to fiscal sustainability and reform](#) outlined a need for greater leadership and strategic direction on reform. A clear vision and strategic direction for reform from senior leaders will help public bodies work together and provide them with assurance that they are working towards the same goals and objectives.

**107.** This is the first year of our revised approach to overview reporting. Our first NHS spotlight publication will focus on governance. This will allow us to assess how well leadership, scrutiny and governance are operating to support financial management, service performance and longer-term reforms. We will report on this in the spring of 2025.

# Endnotes

- 1** Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy, Scottish Government, May 2023.
- 2** Fiscal Sustainability Report – March 2023, Scottish Fiscal Commission.
- 3** Letter from the Cabinet Secretary for Finance and Local Government to the Convener of 3 September 2024.
- 4** Official Report Health, Social Care and Sport Committee, The Scottish Parliament, January 2024.
- 5** Previously known as the NHS Scotland Performance Management Framework, or escalation, it was renamed in September 2023.
- 6** Child and Adolescent Mental Health Services (CAMHS) waiting times data, Public Health Scotland.
- 7** Programme for Government 2024 to 2025, Scottish Government, 4 September 2024.
- 8** NHS Waiting times – stage of treatment. Inpatients, day cases and new outpatients quarter ending 30 June 2024, Public Health Scotland.
- 9** New national targets to tackle long waits for planned care, Scottish Government, July 2022.
- 10** Equality, opportunity, community: New leadership – A fresh start, Scottish Government, 18 April 2023.
- 11** IFS Report R298, Healthcare spending, staffing and activity, Institute for Fiscal Studies, 9 February 2024.
- 12** Ibid.
- 13** NHS Financial Management and Sustainability 2024, National Audit Office, 23 July 2024.
- 14** NHS Recovery Plan 2021–2026, Scottish Government, August 2021.
- 15** Major Capital Projects progress update, Scottish Government to PAC, 16 October 2024.
- 16** Programme for Government 2024–25: Serving Scotland, Scottish Government, 4 September 2024.
- 17** Accident and Emergency Activity data, Public Health Scotland, August 2024.
- 18** Four Hour Emergency Access Standard: Expert Working Group recommendations report, Scottish Government, October 2024.
- 19** NHS Scotland Workforce, NHS Education for Scotland, September 2024.
- 20** Health and social care: improving wellbeing and working cultures, Scottish Government, July 2024.
- 21** Vision for health and social care: Health Secretary speech, 4 June 2024.
- 22** Ibid.

# Appendix 1

## Audit methodology

### We aim to answer the following audit questions in this report:

- What was the financial performance of the NHS in Scotland, and what is the medium-term financial outlook?
- How is the NHS in Scotland addressing operational challenges and performing against national commitments, for example waiting times standards?

### Our findings are based on:

- the 2023/24 audited accounts and annual audit reports of NHS boards and supplementary returns provided by appointed auditors
- analysis of NHS board accounts and Scottish Government budget documents
- relevant Scottish Government strategies, plans and publications
- activity and performance data published by PHS, NES and other national boards.

This central work was supplemented by a series of interviews and discussions with senior Scottish Government staff alongside our wider ongoing programme of stakeholder engagement across the health and social care sector.

### Advisory panel

To support our work, an advisory panel was established to provide feedback and insight at key stages of the audit process. Members sat in an advisory capacity only and the content and conclusions of this report are the sole responsibility of Audit Scotland.

We wish to extend our thanks to the members of the panel: Caroline Hiscox (NHS Lothian); Stuart Lyall (NHS Tayside); Neena Mahal (NHS Forth Valley); Alan Payne (Scottish Government); and Claire Gardiner (Audit Services Group, Audit Scotland).

# Appendix 2

## Progress against the recommendations in NHS in Scotland 2023

Our new approach to overview reporting, and an earlier publication date than in recent years, means that progress cannot be assessed against a small number of recommendations from our 2023 report.

Recommendations for the Scottish Government	Progress/status
<p>Develop and publish a national NHS capital investment strategy in 2024, stating how spending is being prioritised, and the overall estate is being managed.</p>	<p><b>In progress</b></p> <p>NHS boards are currently preparing initial returns to the Scottish Government.</p>
<p>Ensure that the relationship between new financial engagement arrangements and the NHS Scotland Support and Intervention Framework is widely understood by stakeholders ahead of NHS boards preparing and submitting their 2024/25 to 2026/27 financial plans.</p>	<p><b>Complete</b></p> <p>Financial engagement arrangements are no longer a separate process and are now part of the formal NHS Scotland Support and Intervention Framework.</p>
<p>Publish a revised Medium-Term Financial Framework (MTFF) for health and social care, following publication of its wider Medium-Term Financial Strategy (MTFS) in 2024.</p>	<p><b>In progress</b></p> <p>The Scottish Government intends to publish the revised MTFF in summer 2025.</p>
<p>Confirm which indicator(s) will be used to measure year-on-year reductions in waiting times.</p>	<p><b>No progress</b></p> <p>There has been no clarification on the indicators.</p>
<p>Publish an update to the National Workforce Strategy for Health and Social Care that includes guidance on improving staff wellbeing and culture and indicative workforce growth projections for 2024.</p>	<p><b>In progress</b></p> <p>The Scottish Government plans to provide an update on the delivery of the National Workforce Strategy but no timeline is confirmed. It published a <a href="#">vision to improve wellbeing and working cultures</a> across our health, social care and social work workforce in July 2024. An action plan to deliver this vision is being developed. A workforce planning tool which projects the NHS workforce has been developed in collaboration with Scottish Government NHS Education for Scotland. The Scottish Government report that they are considering the best way to provide future workforce information across the health and social care system including assumptions about workforce growth.</p>





















Cont.



<b>Recommendations for the Scottish Government</b>	<b>Progress/status</b>
<p>Revisit NHS Recovery Plan commitments and use its annual progress updates to report clearly and transparently on what progress has been made and whether those commitments, or the targets and delivery timeframes related to them, need to change and why.</p>	<p>The 2024 annual recovery plan update has not yet been published.</p>
<p>Publish clear and transparent annual progress reports on:</p> <ul style="list-style-type: none"> <li>• the work being undertaken on the reform of services showing the effectiveness and value for money of new innovations and ways of delivering NHS services</li> <li>• the care and wellbeing portfolio to better show how it is making a difference.</li> </ul>	<p>The 2024 annual updates have not yet been published.</p>
<p>Work with NHS boards, their staff, partners, and the public to develop a new long-term vision for the wider health system by 2025 that sets out national priorities and recognises the interdependencies in the healthcare system, to enable the necessary reforms that will ensure the future sustainability of health services.</p>	<p><b>Limited progress</b></p> <p>The restated vision from the Scottish Government does not clearly set out national priorities or provide a framework for reform.</p>
<b>The Scottish Government and NHS boards should:</b>	<b>Progress/status</b>
<p>Work together to progress the 13 actions set out in the Value Based Health and Care Action Plan, empowering staff to take advantage of innovative opportunities for service reform and transformation and measuring the difference Realistic Medicine is making to outcomes and service sustainability.</p>	<p><b>In progress</b></p> <p>The focus on Realistic Medicine continues across NHS boards and within the Scottish Government.</p>
<p>Ensure that the new approach to self-assessment in the revised Blueprint for Good Governance in NHS Scotland is rolled out across all NHS boards in 2024 and that any areas for improvement identified are addressed.</p>	<p>This recommendation will be followed up in our upcoming NHS in Scotland spotlight report on governance and scrutiny.</p> <p>This is due to be published in the spring of 2025.</p>

# Appendix 3

## NHS board performance against nine key waiting times standards, quarter ending June 2024
















NHS board	People referred to CAMHS <sup>1</sup> should start treatment within 18 weeks	People referred to psychological therapies should start treatment within 18 weeks	People referred for help with drug and alcohol use should receive treatment within 3 weeks <sup>2</sup>
	Target 90.0%	Target 90.0%	Target 90.0%
<b>NHS Scotland</b>	<b>84.1%</b>	<b>80.2%</b>	<b>93.3%</b> 
NHS Ayrshire and Arran	98.7% 	85.9%	99.1% 
NHS Borders	77.1%	72.4%	96.3% 
NHS Dumfries and Galloway	77.6%	69.4%	99.4% 
NHS Fife	79.1%	69.1%	94.5% 
NHS Forth Valley	97.9% 	71.6%	94.9% 
NHS Grampian	96.6% 	81.7%	95.9% 
NHS Greater Glasgow and Clyde	95.6% 	91.5% 	93.9% 
NHS Highland	71.3%	87.1%	86.8%
NHS Lanarkshire	51.6%	75.9%	94.1% 
NHS Lothian	62.7%	81.6%	87.6%
NHS Orkney	100.0% 	100.0% 	Data not available
NHS Shetland	100.0% 	73.2%	Data not available
NHS Tayside	97.9% 	71.6%	88.1%
NHS Western Isles	100.0% 	85.5%	93.6% 
Golden Jubilee Hospital	Not applicable	Not applicable	Not applicable



Target met

Notes:

1. Child and Adolescent Mental Health Services (CAMHS).
2. Drug and alcohol standard includes community and prison-based services only.

NHS board	People attending A&E should be admitted, discharged or transferred for treatment within four hours	People referred urgently with a suspicion of cancer should begin treatment within 62 days <sup>3</sup>	People diagnosed with cancer should begin treatment within 31 days of the decision to treat
	Target 95.0%	Target 95.0%	Target 95.0%
<b>NHS Scotland</b>	<b>69.1%</b>	<b>73.2%</b>	<b>95.5%</b> 
NHS Ayrshire and Arran	65.2%	83.5%	98.1% 
NHS Borders	65.0%	77.9%	96.6% 
NHS Dumfries and Galloway	76.9%	90.1%	98.6% 
NHS Fife	74.5%	73.1%	95.9% 
NHS Forth Valley	54.1%	83.5%	99.7% 
NHS Grampian	67.9%	60.6%	89.2%
NHS Greater Glasgow and Clyde	70.5%	67.4%	96.7% 
NHS Highland	84.7%	73.9%	95.1% 
NHS Lanarkshire	55.2%	89.6%	97.7% 
NHS Lothian	64.7%	74.7%	94.1%
NHS Orkney	92.2%	60.0%	100.0% 
NHS Shetland	89.3%	50.0%	100.0% 
NHS Tayside	90.4%	60.1%	95.2% 
NHS Western Isles	96.0% 	73.1%	100.0% 
Golden Jubilee Hospital	Not applicable	Not applicable	97.7% 

3. The cancer waiting times standards do not apply to all referrals/cancers.

 Target met

<b>NHS board</b>	<b>People referred for a new outpatient appointment should be seen within 12 weeks</b>	<b>People should begin inpatient/day case treatment within 12 weeks of the decision to treat</b>	<b>People referred for planned care should begin treatment within 18 weeks</b>
	Target 95.0%	Target 100.0%	Target 90.0%
<b>NHS Scotland</b>	<b>65.5%</b>	<b>58.4%</b>	<b>68.1%</b>
NHS Ayrshire and Arran	68.4%	56.8%	67.8%
NHS Borders	59.7%	57.1%	65.7%
NHS Dumfries and Galloway	68.2%	50.9%	60.7%
NHS Fife	66.1%	47.2%	66.4%
NHS Forth Valley	72.3%	47.5%	70.4%
NHS Grampian	65.9%	46.2%	63.7%
NHS Greater Glasgow and Clyde	62.1%	61.5%	70.9%
NHS Highland	61.9%	55.2%	66.7%
NHS Lanarkshire	61.7%	46.8%	60.9%
NHS Lothian	71.6%	60.3%	74.3%
NHS Orkney	67.7%	56.2%	79.2%
NHS Shetland	76.1%	72.1%	78.7%
NHS Tayside	67.8%	58.8%	67.8%
NHS Western Isles	77.0%	65.6%	77.1%
Golden Jubilee Hospital	20.1%	89.3%	88.4%

# NHS in Scotland 2024

Finance and performance



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ISBN 978 1 915839 58 9 AGS/2024/8

<b>Meeting:</b>	<b>Audit and Risk Committee</b>
<b>Meeting date:</b>	<b>12 December 2024</b>
<b>Title:</b>	<b>Losses and Special Payments Quarter 2</b>
<b>Responsible Executive:</b>	<b>Margo McGurk, Director of Finance and Strategy</b>
<b>Report Author:</b>	<b>Kevin Booth, Head of Financial Services &amp; Procurement</b>

## Executive Summary:

- The Boards Losses and Special Payments have increased by £15,272 in quarter 2 (£211,781) in comparison to quarter 1 (£196,509) 2024/25.
- There have been no significant findings or concerns raised in relation to those Losses and Special Payments recorded in the quarter.

## 1 Purpose

### **This is presented for:**

- Assurance

### **This report relates to a:**

- National policy

### **This aligns to the following NHS Scotland quality ambition(s):**

- Effective

## 2 Report summary

### 2.1 Situation

This paper presents a summary of the Board's losses and special payments covering quarter to (01/07/24 – 30/09/24).

### 2.2 Background

The Boards losses and special payments are controlled by the Financial Services Department and are reported to the Scottish Government as part of the annual accounts process.

As per section 16 of the Financial Operating Procedures, any potential losses or special payments are approved by the relevant Directorate/Department Head. The loss, theft or damage paperwork is then provided to the Head of Financial Services & Procurement for final approval.

The losses and special payments for the quarter are compiled into a report with a format and categories defined by the requirements of the Scottish Government. These categories include losses relating to fraud, damage to buildings/equipment, debtors' balances written off, damage/loss of equipment and stock, vehicle accident and insurance excess payments and compensation payments covering financial losses suffered by patients amongst others. The report also quantifies both the clinical and non-clinical ex-gratia compensation payments for any legal claims that are negotiated and settled on the Board's behalf by the Central Legal Office following consultation with the Director of Finance & Strategy.

## 2.3 Assessment

The attached appendix summarises the Boards losses and special payments for the period 01/07/24 – 30/09/24. The reports categorise the types of losses and special payments made in the period whilst also quantifying the number of cases of each and the total monetary value.

There were 250 losses and special payments in the quarter which was an increase in comparison to those reported in the first quarter (181) of 2023/24. The total cost reported however has increased in the quarter to £211,781, from the £196,509 reported in quarter 1. This increase was predominantly as a result of the increase in value of the clinical ex-gratia compensation payments (£200,917 up from £127,171). Whilst there were no non-clinical ex-gratia payments made in the quarter compared to £57,418 in quarter 1. The total of Losses and Special Payments out with Clinical and Non-Clinical ex-gratia compensation payments was £10,864 which was a decrease in comparison to quarter one (£11,920).

The Treasury team carried out their quarterly analytical review to provide additional assurance and the following items were noted:

1 – Losses in relation to acts of vandalism (section 6) reduced in value in the quarter to £1,825 (£3,607 in Quarter 1)

2 – Losses in relation to Hardship accounts provided through A&E increased in value to £3,374 from £2,172, and this resulted in the process being reviewed with the Emergency Care Service Manager to ensure it remained sufficient.

The above findings will be carried into the quarter three review to assist with the identification of any developing trends which may materially affect the Boards expected position moving forward.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level	x			
Descriptor	There is robust assurance that the system of control achieves, or will	There is sufficient assurance that controls upon which the organisation relies	There is some assurance from the systems of control in place to manage the	No assurance can be taken from the information that has been provided. There

	achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	remains a significant amount of residual risk
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### 2.3.1 Quality, Patient and Value-Based Health & Care

The losses and special payments require to be tightly controlled as they can have a material impact on the Boards financial position and ability to maintain budgets to ensure/enhance Patient Care.

### 2.3.2 Workforce

The procedural guidance for Managers to ensure the appropriate treatment for any losses or special payments is stated in the Financial Operating Procedures.

### 2.3.3 Financial

The losses and special payments are included within the Boards Annual Accounts process, subject to external audit and submitted to the Scottish Government for oversight.

### 2.3.4 Risk Assessment/Management

The level of the Board's losses and special payments are monitored to minimise any potential reoccurrence and future exposure to the Board.

### 2.3.5 Equality and Diversity, including health inequalities and Anchor Institution ambitions

The Board's treatment of its losses and special payments is consistently applied and follows the Financial Operating Procedures where relevant to ensure equity of treatment.

### 2.3.6 Climate Emergency and Sustainability Impact

N/A

### 2.3.7 Communication, involvement, engagement and consultation

The Boards quarterly losses and special payments are compiled by the Treasury Team and are presented to the Head of Financial Services and Procurement ahead of the annual submission to the Scottish Government. The losses and special payments included in the report have been approved by the appropriate Directorate/Department Head or in the case of legal settlements have come through following agreement/notification by the Central Legal Office.

### 2.3.8 Route to the Meeting

This paper is brought to the members attention to give visibility of the Board's losses and special payments in the quarter to 30 September 2024.



## 2.4 Recommendation

- **Assurance** – The committee is provided with a “**significant**” level of assurance.

## 3 List of appendices

The following appendices are included with this report:

- Appendix No 1, Summary of Losses and Special Payments 01/07/24 – 30/09/24

### Report Contact

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**FIFE HEALTH BOARD  
SUMMARY OF LOSSES AND SPECIAL PAYMENTS**

ITEM NO.	CATEGORY	JUL-SEP'24		OCT'23 - SEP'24	
	<b>Miscellaneous / Theft / Arson / Wilful Damage</b>				
1	Cash				
2	Stores/procurement				
3	Equipment			1	236
4	Contracts				
5	Payroll <i>Salary Overpayment Debtors Invoices</i>			25	15486
6	Buildings & Fixtures <i>Vandalism</i>	6	1826	57	6510
7	Other				
	<b>Fraud, Embezzlement &amp; other irregularities (incl. attempted fraud)</b>				
8	Cash				
9	Stores/procurement				
10	Equipment				
11	Contracts				
12	Payroll				
13	Other				
14	<b>Nugatory &amp; Fruitless Payments</b>			1	948971
	<b>Claims Abandoned:</b>				
15	(a) Private Accommodation				
	(c) Other <i>Hardship Accounts / Insurance Excess / Debtors W/O's</i>	224	4174	650	17970
	<b>Stores Losses:</b>				
16	Incidents of the Service :				
	- Fire				
	- Flood				
	- Accident				
17	Deterioration in Store				
18	Stocktaking Discrepancies				
19	Other Causes				
	<b>Losses of Furniture &amp; Equipment and Bedding &amp; Linen in circulation:</b>				
20	Incidents of the Service :				
	- Fire				
	- Flood				
	- Accident <i>Loss / Damaged Equipment</i>	3	1881	23	13556
21	Disclosed at physical check				
22	Other Causes				
	<b>Compensation Payments - legal obligation</b>				
23	Clinical				
24	Non-clinical				
	<b>Ex-gratia payments:</b>				
25	Extra-contractual Payments				
26	Compensation Payments - ex-gratia - Clinical	7	200917	39	1985029
27	Compensation Payments - ex-gratia - Non Clinical			11	151596
28	Compensation Payments - ex-gratia - Financial Loss	8	1765	23	8362
29	Other Payments				
	<b>Damage to Buildings and Fixtures:</b>				
30	Incidents of the Service :				
	- Fire				
	- Flood				
	- Accident <i>Vehicle Expenditure</i>	2	1220	9	3013
	- Other Causes				
31	<b>Extra-Statutory &amp; Extra-regulatory Payments</b>				
32	<b>Gifts in cash or kind</b>				
33	<b>Other Losses</b>				
		250	211781	839	3150730



<b>Meeting:</b>	<b>Audit &amp; Risk Committee</b>
<b>Meeting date:</b>	<b>12 December 2024</b>
<b>Title:</b>	<b>Waiver of Competitive Tenders Quarter 2</b>
<b>Responsible Executive:</b>	<b>Margo McGurk, Director of Finance &amp; Strategy</b>
<b>Report Author:</b>	<b>Kevin Booth, Head of Financial Services &amp; Procurement</b>

## Executive Summary:

- This paper provides a significant level of assurance on the governance arrangements followed in respects of the waivers of competitive tender applied within the Boards procurement process in quarter 2.
- During quarter 2, there has been one waiver of competitive tender for the CRIS Radiology Information System annual support and maintenance at a value of £96k, which has been approved in line with NHS Fife's Standing Financial Instructions.

## 1 Purpose

### **This report is presented for:**

- Assurance

### **This report relates to:**

- Government policy / directive
- Legal requirement

### **This report aligns to the following NHSScotland quality ambition(s):**

- Safe

## 2 Report summary

### 2.1 Situation

In order to allow the Audit & Risk Committee to take assurance that the Boards Procurement Function is operating within the legal requirements of the Scottish Government. This paper presents oversight of the Contract Awards over £50,000 in the period July 2024 – September 2024 that were subject to a waiver of competitive tender.

### 2.2 Background

As per the Guidance in the Public Contracts Scotland Act 2015. Any non-competitive award of a contract with an anticipated value of £50,000 or more (inclusive of vat) must have a

waiver of competitive tender completed prior to award and be signed off by both the Head of Procurement and then counter signed by both the Director of Finance & Strategy and the Chief Executive.

The waiver of competitive tender confirms the restricted conditions which when in existence, the Board is permitted to award the contract without following the existing procurement journey route 2 as prescribed in the Act.

The restricted, permitted conditions (as per the Code of Corporate Governance, appendix 3 Standing Financial Instructions, section 9.11) which must be in existence are as follows:

1. Where the repair of a particular item of equipment can only be carried out by the manufacturer.
2. Where the supply is for goods or services of a special nature or character in respect of which it is not possible or desirable to obtain competitive quotations or tenders.
3. A contractor's special knowledge is required.
4. Where the number of potential suppliers is limited, and it is not possible to invite the required number of quotations or tenders, or where the required number do not respond to an invitation to tender or quotation to comply with these SFIs.
5. Where, on the grounds of urgency, or in an emergency, it is necessary that an essential service is maintained or where a delay in carrying out repairs would result in further expense to NHS Fife.

Any other justification including the unavailability of time should not be considered without the prior agreement with the Scottish Government.

## 2.3 Assessment

During the period July 2024 – September 2024 the Procurement Team awarded one contract subject to a waiver of competitive tender.

### **CRIS Radiology Information System Annual Support & Maintenance for £96,240/year**

CRIS is a critical Radiology system that facilitates the processing of Radiology Referrals from Primary and Secondary care. A decision to remain with the current system and supplier for a further four-year period, was due to the NHS Scotland replacement programme of the existing PACS system by the end of 2026, which will define the future direction of Radiology Information Systems across Scotland. Magentus Software Ltd are the only provider with the ability and unique knowledge to maintain and support this system, therefore the waiver of competitive tender was approved as per NHS Fife's Standing Financial Instructions (SFIs), based on points 2 and 3 of the criteria noted above.

This is the first waiver of competitive tender applied by NHS Fife in 204/25. By comparison there were two tender waivers applied for the financial year 2023/24, totalling £1,056,730,

one for additional capacity with The Aberdeen Clinic for NHS Lothian patients and one for GI manometry equipment with Medtronic.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level	X			
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

A waiver of competitive tender will only ever be considered by Procurement where all applicable information is provided to a high quality, allowing for an effective decision to be made.

### 2.3.2 Workforce

The current guidance for the application of a waiver of competitive tender is contained within the Financial Operating Procedures section 11(a) for staff to refer to when consideration is required. The qualifying criteria contained mirrors that within the Boards Standing Financial Instructions.

### 2.3.3 Financial

As per the Public Contracts Scotland Act 2015 any procurement of £50,000 or above is subject to Procurement Journey Route 2 (or Route 3 if £138,760 or above), where a Tender would be posted through the Public Contracts Tender Portal. The implementation of the Tender Waiver negates the requirement for this process.

### 2.3.4 Risk Assessment / Management

The implementation of a Waiver of Competitive Tender needs to be robustly controlled to ensure the Board does not expose itself to challenge which could result in legally imposed financial penalties and reputational damage.

### 2.3.5 Equality and Human Rights, including children's rights, health inequalities and Anchor Institution ambitions

The governed application of the waiver of competitive tender ensures applicable treatment of suppliers across the marketplace.

### 2.3.6 Climate Emergency & Sustainability Impact

N/A

### 2.3.7 Communication, involvement, engagement and consultation

The consideration of the application of a waiver of competitive tender is considered by the Senior Procurement Team following discussions with the order requisitioner and service lead before being approved if applicable by the Head of Procurement and then issued to the Director of Finance & Strategy and the Chief Executive for final sign off.

### 2.3.8 Route to the Meeting

The Procurement Governance Board took assurance on the application of the waiver of competitive tender during quarter 2 at the meeting on 30 October 2024.

## 2.4 Recommendation

- **Assurance** – Members are asked to take a “**significant**” level of assurance that the Procurement process for the waiver of competitive tenders was correctly applied in the period.

## 3 List of appendices

N/A

### Report Contact

Kevin Booth

Head of Financial Services & Procurement

Kevin.booth@nhs.scot

## AUDIT & RISK COMMITTEE

### DRAFT ANNUAL WORKPLAN 2025 / 2026

Governance – General						
	Lead	15/05/25	19/06/25	18/09/25	11/12/25	12/03/26
Minutes of Previous Meetings	Chair	✓	✓	✓	✓	✓
Action Plan	Chair	✓	✓	✓	✓	✓
Escalation of Issues to NHS Board	Chair	✓	✓	✓	✓	✓
Governance Matters						
	Lead	15/05/25	19/06/25	18/09/25	11/12/25	12/03/26
Audit Scotland Technical Bulletin	Head of Financial Services		✓ 2025/1	✓ 2025/2	✓ 2025/3	✓ 2025/4
Annual Assurance Statement 2024/25	Board Secretary	✓ Draft	✓ Final			
Annual Assurance Statements from Standing Committees 2024/25	Board Secretary		✓			
Annual Review of Code of Corporate Governance	Board Secretary	✓				
Committee Self-Assessment	Board Secretary					✓
Corporate Calendar / Committee Dates 2026/27	Board Secretary			✓		
Delivery of Annual Workplan 2025/26	Director of Finance & Strategy	✓	✓	✓	✓	✓
Financial Operating Procedures Review (2 yearly review)	Head of Financial Services				✓	
Governance Statement	Director of Finance & Strategy	✓ Draft	✓ Final			
IJB Annual Assurance Statement 2024/25	Board Secretary		✓			
Internal Audit Review of Property Transactions Report 2024/25	Regional Audit Manager			✓		



<b>Governance Matters (cont.)</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Losses & Special Payments	<b>Head of Financial Services</b>	✓		✓	✓	✓
Procurement Tender Waivers Compliance 2024/25	<b>Head of Financial Services</b>	✓ Q4		✓ Q1	✓ Q2	✓ Q3
Review of Annual Workplan 2026/27	<b>Board Secretary</b>				✓ Draft	✓ Approval
Review of Terms of Reference	<b>Board Secretary</b>					✓ Approval
<b>Risk</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Annual Risk Management Report 2024/25	<b>Associate Director of Risk &amp; Professional Standards</b>	✓ Draft	✓ Final			
Corporate Risk Register	<b>Director of Finance &amp; Strategy/Associate Director of Risk &amp; Professional Standards</b>	✓		✓	✓	✓
Risk Management Key Performance Indicators 2024/25	<b>Associate Director of Risk &amp; Professional Standards</b>	✓		✓		
Progress Report on Delivery of the Risk Management Strategic Framework	<b>Associate Director of Risk &amp; Professional Standards</b>			✓ TBC		
Risks & Opportunities Group Progress Report	<b>Associate Director of Risk &amp; Professional Standards</b>	✓ Annual Statement of Assurance		✓	✓	✓
<b>Governance – Internal Audit</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
External Quality Assessment	<b>Chief Internal Auditor</b>	(5 yearly – due March 2030)				
Internal Audit Framework	<b>Chief Internal Auditor</b>					✓
Internal Audit Progress Report	<b>Regional Audit Manager</b>	✓		✓	✓	✓
Internal Audit Annual Plan 2025/26	<b>Chief Internal Auditor</b>		✓ Final			
Internal Audit Annual Report 2024/25	<b>Chief Internal Auditor</b>		✓			

<b>Governance – Internal Audit (cont.)</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Internal Audit – Follow Up Report on Audit Recommendations 2024/25	<b>Regional Audit Manager/ Principal Auditor</b>	✓		✓		✓
Internal Controls Evaluation Report 2024/25	<b>Chief Internal Auditor</b>				✓	
<b>Governance – External Audit</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Annual Audit Plan 2024/25	<b>External Audit</b>				✓	
External Audit – Follow Up Report on Audit Recommendations	<b>Director of Finance &amp; Strategy</b>					✓
Patients' Private Funds - Audit Planning Memorandum	<b>Head of Financial Services</b>					✓
Service Auditor Reports on Third Party Services	<b>Head of Financial Services</b>		✓			
<b>Annual Accounts</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Annual Accounts Preparation Timeline	<b>Head of Financial Services</b>	✓ Follow Up				✓ Initial
External Auditors Annual Accounts Progress Update	<b>External Auditor</b>	✓				✓
Annual Accounts & Financial Statements 2024/25	<b>Director of Finance &amp; Strategy / External Audit</b>		✓			
Annual Audit Report 2024/25	<b>External Audit</b>		✓			
Letter of Representation 2024/25	<b>Director of Finance &amp; Strategy / External Audit</b>		✓			
Patients' Funds Accounts 2024/25	<b>Head of Financial Services</b>		✓			
Annual Statement of Assurance to the NHS Board 2024/25	<b>Board Secretary</b>		✓			
<b>Counter Fraud</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Counter Fraud Service – Quarterly Report (Alerts & Referrals)	<b>Head of Financial Services</b>	Private Session		Private Session	Private Session	Private Session

<b>Counter Fraud (cont.)</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Counter Fraud Standards Assessment	<b>Head of Financial Services</b>	Private Session				
Counter Fraud Action Plan 2025/26	<b>Head of Financial Services</b>			Private Session		
Counter Fraud Annual Report 2024/25	<b>Head of Financial Services</b>	Private Session				
<b>Adhoc</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Private Meeting with Internal / External Auditors	<b>Committee</b>			Private Session		Private Session
Appointment of Patients' Private Funds Auditor	<b>Director of Finance &amp; Strategy</b>	<b>As required</b>				
Legal & regulatory updates (e.g. Audit Scotland reports etc.)	<b>Head of Financial Services</b>					
Progress on National Fraud Initiative (NFI)	<b>Head of Financial Services</b>				✓	
<b>Additional Agenda Items (Not on the Workplan e.g. Actions from Committee)</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
<b>Training Sessions Delivered</b>						
	<b>Lead</b>	<b>15/05/25</b>	<b>19/06/25</b>	<b>18/09/25</b>	<b>11/12/25</b>	<b>12/03/26</b>
Members' Training Session – the Annual Accounts: The Role & Function of the Audit & Risk Committee	<b>External Auditors</b>	✓				

<b>Meeting:</b>	<b>Audit &amp; Risk Committee</b>
<b>Meeting date:</b>	<b>12 December 2024</b>
<b>Title:</b>	<b>Audit Scotland Technical Bulletin 2024/3</b>
<b>Responsible Executive:</b>	<b>Margo McGurk, Director of Finance &amp; Strategy</b>
<b>Report Author:</b>	<b>Kevin Booth, Head of Financial Services &amp; Procurement</b>

## Executive Summary:

- This paper provides awareness to the matters identified by Audit Scotland for Auditors consideration during 2024/25 and ahead of the external audit process.
- Key areas to note for NHS Fife are in relation to the Whole of Government Accounts Returns and highlighted public sector fraud cases.

## 1 Purpose

### **This is presented to the Board for:**

- Assurance

### **This report relates to a:**

- Emerging issue
- Government policy/directive
- Legal requirement

### **This aligns to the following NHS Scotland quality ambition(s):**

- Effective

## 2 Report summary

### 2.1 Situation

The Audit Scotland Technical Bulletin 2024/3 is a resource shared across members of the Finance Directorate and is provided to the Audit and Risk committee to raise awareness of emerging developments from an Audit perspective.

## 2.2 Background

The Audit Scotland Technical Bulletins are prepared on a quarterly basis and are provided to support auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- Information on the main technical developments across the public sector in the quarter.
- Information on professional matters during the quarter that are expected to have applicability to the public sector.
- Summaries of responses to any requests from auditors for technical consultations with Audit Scotland Professional Support.

## 2.3 Assessment

The Audit Scotland Technical Bulletin 2024/3 is arranged by sector with content applicable to specific sectors and also across the public sector as a whole.

Section two references the guidance issued to appointed auditors to support their review of the Whole of Government Accounts (WGA) returns which are prepared by NHS Fife, other boards and public bodies across the country.

Section seven provides a summary of fraud cases and other irregularities that have recently been reported by auditors as a result of weaknesses in internal controls at audited bodies. For assurance this summary was shared with the NHS Fife Nurse Bank Manager to ensure there were appropriate internal controls in place to mitigate any similar local occurrence.

This report provides the following Level of Assurance:

	Significant	Moderate	Limited	None
Level	X			
Descriptor	There is robust assurance that the system of control achieves, or will achieve, the purpose that it is designed to deliver. There may be an insignificant amount of residual risk or none at all.	There is sufficient assurance that controls upon which the organisation relies to manage the risk(s) are suitably designed and effectively applied. There remains a moderate amount of residual risk.	There is some assurance from the systems of control in place to manage the risk(s), but there remains a significant amount of residual risk, which requires further action to be taken.	No assurance can be taken from the information that has been provided. There remains a significant amount of residual risk

### 2.3.1 Quality, Patient and Value-Based Health & Care

N/A

### 2.3.2 Workforce

The Technical Bulletin is shared widely across the Finance Directorate.

### 2.3.3 Financial

Technical and Financial developments are addressed from Audit Scotland's perspective.

### 2.3.4 Risk Assessment/Management

Emerging Risks relating to the Health Sector are addressed from Audit Scotland's perspective.

### 2.3.5 Equality and Diversity, including health inequalities and Anchor Institution ambitions

N/A

### 2.3.6 Climate Emergency and Sustainability Impact

Any emerging matters in relation to sustainability reporting are considered by Audit Scotland and reported where appropriate.

### 2.3.7 Communication, involvement, engagement and consultation

The Audit Scotland Technical Bulletins are provided to Boards through the Technical Accounts Group meetings and any impending issues are discussed.

### 2.3.8 Route to the Meeting

This paper has been provided to support the Audit & Risk Committee following discussions between the Head of Corporate Governance and the Head of Financial Services & Procurement

## 2.4 Recommendation

- **Assurance** – This report provides a significant level of assurance.

## 3 List of appendices

The following appendices are included with this report:

- Appendix, Audit Scotland Technical Bulletin 2024/3

### Report Contact

Kevin Booth

Head of Financial Services & Procurement

Email [kevin.booth@nhs.scot](mailto:kevin.booth@nhs.scot)

# Technical Bulletin

## 2024/3

Technical developments and emerging risks from  
July to September 2024



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors  
30 September 2024

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## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).



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# 1: Introduction

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## Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter
- information on professional matters during the quarter that are expected to have applicability to the public sector
- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in **bold**.

Technical Bulletins are also published on the Audit Scotland [website](#) and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (\*) link to files on Audit Scotland's [SharePoint\\*](#) and are only accessible by auditors.

## Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
I&Q has published guidance for auditors on 2023/24 WGA <b>[paragraph 1]</b>	LASAAC has issued guidance on the disclosure of Low Emission Zones <b>[paragraph 10]</b>	The Scottish Government has extended the statutory overrides in respect of accounting for infrastructure assets in local government <b>[paragraph 15]</b>
I&Q has published guidance for auditors on the certification of NDR income returns <b>[paragraph 20]</b>	The Scottish Government has issued guidance on climate related disclosures <b>[paragraph 23]</b>	Treasury has issued a consultation on phase 3 of climate related financial disclosures <b>[paragraph 28]</b>
I&Q has issued two technical guidance notes related to the audit of the college sector <b>[paragraph 36 and 39]</b>	The SFC has issued an accounts direction and guidance notes for colleges in 2023/24 <b>[paragraph 43]</b>	The PAF has issued proposed revisions to PN10 <b>[paragraph 47]</b>

## Consulting with I&Q

Auditors should consult with I&Q by completing an enquiry form and submitting it to [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

## 2: All sectors

### Guidance on 2023/24 WGA returns

1. [HM Treasury](#) has issued guidance on preparing the 2023/24 Whole of Government Accounts (WGA) returns for [local government](#) and for [central government](#) bodies. WGA is prepared by Treasury and consolidates the audited accounts of bodies in the UK that exercise functions of a public nature or are funded from public money. The process has been running significantly behind schedule over the last few years, but the timescales for 2023/24 returns are earlier than in previous years.

2. The National Audit Office (NAO) are the group auditor for WGA. Procedures that auditors are required to undertake in respect of providing assurance to the NAO are included in a Technical Guidance Note (TGN) issued by I&Q. TGN/WGA/24 on 2023/24 returns has been published and is available with supporting material to auditors on [SharePoint\\*](#) and also on the Audit Scotland [website](#). The procedures in the TGN are consistent with the NAO's Group Audit Instructions but tailored to Scottish bodies. Reporting procedures include the submission of an Assurance Statement in a form prescribed by NAO.

3. Paragraph 1.7.1 of the Treasury guidance sets out the key dates for 2023/24 WGA:

Cycle	Return	Submission date
1	Unaudited	16 August 2024
2	Audited	13 September 2024

4. Auditors are not expected by I&Q to have met the 13 September submission date if doing so would have compromised audit quality. Auditors should instead make the submission as soon as reasonably practicable.

5. Data is collected for the 2023/24 WGA by bodies inputting information directly to the Online System for Central Accounting and Reporting (OSCAR II). 'Minor' Bodies are exempt from the WGA process if their gross expenditure, gross income, gross assets, and gross liabilities are below £30 million for both 2022/23 and 2023/24.

6. A diagram at paragraph 4.2.2 of the guidance sets out the steps involved in the WGA submission process. The steps depend on whether the body is above the audit threshold. Section 1.7. advises that the

threshold for audit is breached if any of total assets (excluding property, plant and equipment), total liabilities (less pension liabilities), total income or total expenditure is above £2 billion. No examination is required for bodies below the threshold, although auditors are required to complete the first eight sections of the Assurance Statement (except for minor bodies) and submit it to the NAO.

**7.** Annex A of the Treasury guidance provides a summary of the proforma tabs used to input data. Chapter 7 provides more detailed guidance on inputting data into the tabs. Section 7.2. advises that the Audit Report is a view of all data submitted which can be shared with auditors. It may be appropriate to download the individual tabs instead, and also run the new primary financial statements report.

**8.** A key part of the WGA process is the elimination of transactions and balances between WGA bodies. Recording complete and accurate counter-party identifier (CPID) information is the only way in which transactions and balances between WGA bodies can be identified and eliminated. Paragraph 6.3.4 of the Treasury guidance explains how bodies can run a Matches Analysis Tool which allows them to see 'live' published data from other bodies. Central government bodies are required to formally agree transaction streams and balances that are above £5 million with central government counterparties.

**9. Auditors should examine and report on the 2023/24 WGA returns of public bodies in Scotland in accordance with the TGN, and make the required submissions as soon as reasonably practicable.**

# 3: Local Government Sector

## Guidance on LEZ disclosures from 2023/24

### 10. [The Local Authority \(Scotland\) Accounts Advisory Committee](#)

(LASAAC) has issued [guidance](#) on disclosure related to the operation of Low Emission Zone (LEZ) schemes, currently applicable in Glasgow, Edinburgh, Aberdeen, and Dundee. The guidance is voluntary for 2023/24, but is expected to be mandatory from 2024/25.

11. Local authorities operating a LEZ are required by regulations to prepare and publish a statement of account in both their annual accounts and a separate annual report on the operation and effectiveness of the scheme.

### Annual accounts

12. The guidance considers that a proportionate approach is for the statement of account to be a disclosure note. A summary of the content is provided in the following table:

Disclosure	Content
<b>Administering costs</b>	<p>Costs incurred in proposing, making and operating the scheme the scheme.</p> <p>Set up costs incurred between 1 April 2023 and 31 March 2024.</p> <p>Costs incurred before 1 April 2023 disclosed in a prior year comparative column.</p>
<b>Revenue from fines and charges</b>	<p>For authorities that did not commence charging until 1 June 2024, an explanation should be provided for why there is no revenue to be disclosed in the 2023/24 financial statements.</p>
<b>Narrative</b>	<p>An explanation of the income generated and running costs of the scheme.</p> <p>An overview of the legislative requirements for the scheme, including the revenues raised and how they are utilised.</p>

13. As this is a statutory requirement, authorities are required to make the disclosure regardless of whether amounts are considered material.

### Annual report

14. Disclosures in the separate annual report should be identical to the disclosure in the notes to the financial statements.

## Extension of statutory override for infrastructure assets:

**15.** [The Scottish Government](#) has issued [Finance Circular 8/2024](#) to extend the period of statutory overrides for infrastructure originally set out in Finance Circular 9/2022.

**16.** The same overrides available in 2022/23 and 2023/24 now also apply for 2024/25.

## Draft guidance on use of capital grant

**17.** The Scottish Government has issued a [draft circular\\*](#) containing a temporary amendment to the statutory guidance in Finance Circular 3/2018 on accounting for capital grant. The proposed temporary amendment applies to the specific elements of the 2024/25 General Capital Grant set out at paragraph 1 of the draft circular. It is proposed that local authorities may apply the elements of the capital grant to fund the principal element of both General Fund and Housing Revenue Account (HRA) loan repayments which will allow revenue reserves held for capital investment to fund the 2024/25 local government pay award.

**18.** The proposed statutory guidance will also provide the consent of Scottish Ministers to use the capital grant to fund HRA capital expenditure.

**19.** The proposed temporary amendments to the accounting requirements for capital grant are summarised in the following table

Use of capital grant	Proposals
<b>Repayment of loan principal</b>	<p>Where the capital grant is transferred to the Capital Fund, the statutory adjustments in Part 2 of Finance Circular 3/2018 are not required.</p> <p>The statutory repayment of debt must still be charged to the General Fund (debit General Fund, credit Capital Adjustment Account).</p> <p>When the capital grant is applied, a separate transaction is required to transfer the capital grant from the Capital Fund (debit) to the General Fund or HRA (credit).</p>
<b>HRA</b>	When the capital grant is utilised, it is transferred to the Capital Adjustment Account (debit General Fund, credit Capital Adjustment Account)
<b>Other purposes</b>	Accounted for in accordance with Finance Circular 3/2018.

## 2023/24 Non-domestic rates income returns

**20.** I&Q has published [TGN/NDR/24](#) on certifying non-domestic rates (NDR) income returns. The TGN provides guidance for auditors on the examination of the NDR income return, including highlighting the main risk

areas. The TGN is provided to auditors on [SharePoint\\*](#) and also on the Audit Scotland [website](#).

**21. Auditors should certify 2023/24 NDR income returns in accordance with TGN/NDR/24.**

### Technical consultations with auditors

**22.** The following table summarises a request from auditors for a technical consultation with I&Q in respect of an issue arising from the audit of the 2023/24 annual accounts of local government bodies, along with the advice offered:

#### Employee benefits

Should an additional liability be recognised where a body participating in a local government pension scheme is required to make secondary contributions to fund an existing deficit?

Secondary contributions are used in a local government pension scheme to address an existing deficit or surplus in the fund. Positive contributions increase the overall contribution to the fund and therefore help to reduce an existing deficit.

Where a participating body makes positive secondary contributions these are referred to as past service contributions. [IFRIC 14](#) requires that where past service contributions are not available in the form of a refund or reduction in future contributions, an additional liability should be recognised when the obligation arises. This liability should reduce the net defined benefit asset or increase the net liability.

Auditors should determine whether the body has accounted for positive secondary contributions in 2022/23 and 2023/24 in accordance with IFRIC 14. Where positive contributions made in either year have not been accounted for correctly, bodies may need to request a calculation from their actuary to determine whether the present value of agreed past service contributions was material at 31 March 2023 and 2024.

Where positive secondary contributions made in 2022/23 have not been accounted for correctly, auditors should consider whether a retrospective restatement in 2023/24 is required. This may also require an IFRIC 14 assessment to be carried out for 2021/22 to ensure the opening position is correct in 2022/23.

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# 4: Central Government Sector

## Sustainability disclosures

### Guidance for 2023/24

**23.** The Scottish Government has issued [application guidance](#)\* on sustainability disclosures for annual accounts from 2023/24 of Scottish bodies that follow the Government Financial Reporting Manual (FReM).

**24.** The 2023/24 FReM requires compliance with the Task Force on Climate Related Financial Disclosures (TCFD) aligned disclosures (explained in [Technical Bulletin 2024/1](#) paragraph 53). This guidance recommends that relevant Scottish public bodies comply with the FReM requirements. This supersedes the guidance at paragraph 54 of Technical Bulletin 2024/1 which reflected advice from the Scottish Government that the disclosure requirements would not apply in 2023/24.

**25.** The sustainability disclosures may be implemented using the phased approach allowed by the TCFD guidance, but public bodies may report disclosures earlier. The phases are summarised in the following table:

Phase	Year	Required disclosure
1	2023/24	Governance arrangements
2	2024/25	Risk assessment, key metrics and targets
3	2025/26	Strategy

**26.** The TCFD-aligned disclosures should be included in the Performance Report either within the performance overview/analysis section, incorporated into the sustainability reporting section, or as a new section.

**27.** The guidance recommends that the annual returns which most public bodies are required to submit to the Sustainable Scotland Network should be used to meet the disclosure requirements. The guidance permits signposting in 2023/24, but from 2024/25 the information should be incorporated within the annual accounts.

**28.** This guidance impacts on the disclosure requirements for Performance Reports set out in Module 11 of TGN 2024/1. The checklist setting out the content of the Performance Report has been updated accordingly.



**29.** Technical Bulletin 2024/1 advised that Treasury had issued application guidance on phases 1 and 2. Treasury have subsequently issued a [consultation draft](#) on application guidance on phase 3.

**30.** The proposed disclosures for the Strategy pillar under phase 3 are set out in Chapter 3 of the application guidance and include:

Area	Proposed disclosures
Principal, New, and Emerging Risks	<p>Identification and disclosure of principal climate-related risks.</p> <p>Consideration of new and emerging risks that could impact the organization.</p> <p>A description of the relevant short, medium, and long-term time horizons that could have a material financial impact</p>
Climate Scenario Analysis	<p>Climate scenario analysis using common anchor points (or reference periods or points)</p> <p>Analysis should cover different time horizons and consider various climate scenarios, including a 2°C or lower scenario</p> <p>Scenario analysis should be conducted every 3 to 5 years, or more frequently where the assumptions used no longer apply</p>

**31.** The consultation period ended on 26 September.

### 2023/24 remuneration report disclosure calculator

**32.** Deloitte have issued a [report](#)\* on MyCSP's Cash Equivalent Transfer Value (CETV) Calculator tool used to calculate disclosure information included in 2023/24 Remuneration Reports. MyCSP administer the Civil Service pension arrangements on behalf of the Cabinet Office and provide disclosure information to a number of Scottish public bodies.

**33.** The report assesses the processes and controls in place as 'Satisfactory' which means they are considered adequate in the circumstances.

**34. Auditors should refer to this report when auditing CETV values in 2023/24.**

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# 5: College Sector

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## TGN on risks of material misstatement in 2023/24

**35.** I&Q has published Module 14 of the TGN 2024/1. The TGN is intended to inform auditors' judgement when identifying and assessing the risks of material misstatement in the 2023/24 annual report and accounts of central government bodies generally. Module 14 provides:

- guidance on applying the other modules to the audit of the 2023/24 annual report and accounts of colleges
- supplementary guidance on the risks of misstatements in areas specific to colleges.

**36.** Module 14 is available with the rest of the TGN and supporting material to auditors on [SharePoint\\*](#) and is also freely available to download from the Audit Scotland [website](#).

**37. Auditors are expected to pay due regard to Module 14 and use it as a primary reference source when performing 2023/24 audits of colleges. Auditors should advise I&Q of any intended departures from the guidance**

## Independent auditor's reports for college accounts in 2023/24

**38.** I&Q has published TGN 2024/6(C) to provide auditors with model forms of Independent Auditor's Reports (IAR) which should be used for the 2023/24 annual accounts of colleges in Scotland.

**39.** Auditors are required by the Code of Audit Practice to prepare their IARs in accordance with the TGN. The TGN is available with supporting material to auditors on [SharePoint\\*](#) and is also freely available from the Audit Scotland [website](#).

**40.** The model forms of IARs set out in the appendices of the TGNs have been tailored to reflect relevant legislation and augmented by the reporting requirements of the Auditor General.

**41.** There are no significant changes to the previous guidance and model IARs.

## 2023/24 accounts direction and guidance

**42.** The [Scottish Funding Council \(SFC\)](#) has issued their [Accounts Direction for Scotland's Colleges 2023/24](#) and [guidance notes](#) on completion of the 2023/24 financial statements. The direction requires colleges to:

- comply with the SORP in preparing their financial statements
- include a Performance Report and Accountability Report in their annual report and accounts in accordance with the FReM.

**43.** Specific mandatory disclosure requirements for colleges are set out in Appendix 2 to the direction. The main changes are as follows:

- Colleges are no longer required to provide in the Performance Report a breakdown of the Cash Budget for Priorities.
- A change in the accounting for the funding and costs of the support staff and middle management job evaluation exercise. The direction indicates that a contingent liability, rather than a provision, is the appropriate accounting treatment from 2023/24.

**44.** The guidance notes are designed to supplement the accounts direction and cover key disclosures in the financial statements, including model disclosure notes set out at Annexes A to F.

**45.** There are no significant changes to the guidance notes from 2022/23

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# 6: Professional matters

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## Proposed revisions to Practice Note 10

**46.** The [Public Audit Forum](#) has issued a consultation draft of [Practice Note 10](#).

**47.** Part 1 of PN 10 sets out how auditors of public sector bodies apply auditing standards to their work on financial statements. The aim is to support consistency in the application of auditing standards while also recognising the specific legislative and regulatory frameworks that apply to the audits of public sector bodies. Part 2 provides guidance on the approach to the audit of regularity.

**48.** PN 10 is updated regularly to take account of changes to standards and other developments in the auditing profession. The main proposed changes are summarised in the following table:

Section	Summary of proposed revision
ISA(UK) 570	Paragraph 1-181 has been added to provide guidance that if the auditor disclaims their opinion on the financial statements, they do not report on whether the use of going concern basis is appropriate.

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Section	Summary of proposed revision
ISA(UK) 600	<p>The section has been updated to reflect the objectives of the auditor in the revised standard.</p> <p>Paragraph 1-188 from the previous version has been deleted. It provided guidance on the group auditor's use of the work of component auditors and component materiality (which is no longer a concept in the revised standard).</p> <p>Paragraphs 1-191 to 1-195 have been amended to provide guidance on combined financial statements which include a large number of components whose financial information is individually immaterial, but is material in aggregate to the group financial statements. The amendments include:</p> <ul style="list-style-type: none"> <li>• clarifying that such financial statements are group financial statements within the scope of the revised standard</li> <li>• deleting references to component auditors facilitating access to the auditor of the combined financial statements, since these are considered group financial statements</li> <li>• amending the guidance where combined financial statements consist entirely of a large number of non-significant components (since there is no longer a concept of non-significant components in the revised standard). Guidance is now provided where combined financial statements consist entirely of a large number of small components with disaggregated transactions, balances and disclosures which are material in aggregate to the group financial statements</li> </ul>
Part 2 Regularity	<p>Paragraph 2-86A has been added to provide guidance where an auditor disclaims their opinion on the financial statements. It advises that the auditor should also disclaim their opinion of regularity because they do not have sufficient assurance over the nature of the transactions entered into by the audited body.</p>

**49.** The consultation period ended on 20 September 2024.

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# 7: Fraud and irregularities

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This chapter contains a summary of fraud cases and other irregularities facilitated by weaknesses in internal control at audited bodies that have recently been reported by auditors to I&Q.

Auditors should consider whether weaknesses in internal control which facilitated each fraud may exist in their bodies and take the appropriate action

## Payroll expenditure

**50.** An employee authorised their own shift work to the value of £15,000.

### Key features

The employee booked and authorised 49 shifts for themselves through the bank staff system. It is uncertain whether the employee worked all shifts as records show login activity for only six shifts.

The manager identified the fraud when reviewing actual expenditure against budgeted expenditure.

The fraud was possible as the authorisation process allowed employees to book and authorise their own shifts. The authorisation process has subsequently been strengthened to require manager authorisation of all bank shifts.

The employee has been suspended and the public body is seeking to recover the funds.

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# Technical Bulletin 2024/3

Technical developments and emerging risks from July to September 2024



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**AUDIT & RISK COMMITTEE**  
**ANNUAL WORKPLAN 2024 / 2025**

<b>Governance – General</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Minutes of Previous Meetings	<b>Chair</b>	✓	✓	✓	✓	✓
Action Plan	<b>Chair</b>	✓	✓	✓	✓	✓
Escalation of Issues to NHS Board	<b>Chair</b>	✓	✓	✓	✓	✓
<b>Governance Matters</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Audit Scotland Technical Bulletin	<b>Head of Financial Services</b>		Deferred to next mtg	✓ 2024/1 & 2024/2	✓ 2024/3	✓ 2024/4
Annual Assurance Statement 2023/24	<b>Board Secretary</b>	✓ Draft	✓ Final			
Annual Assurance Statements from Standing Committees 2023/24	<b>Board Secretary</b>		✓			
Annual Review of Code of Corporate Governance	<b>Board Secretary</b>	✓				
Committee Self-Assessment	<b>Board Secretary</b>					✓
Corporate Calendar / Committee Dates 2025/26	<b>Board Secretary</b>			✓		
Delivery of Annual Workplan 2024/25	<b>Director of Finance &amp; Strategy</b>	✓	✓	✓	✓	✓
Financial Operating Procedures Review	<b>Head of Financial Services</b>	(Two yearly review. Next review due December 2025)				
Governance Statement	<b>Director of Finance &amp; Strategy</b>	✓ Draft	✓ Final			
IJB Annual Assurance Statement 2023/24	<b>Board Secretary</b>		✓ Letter	✓ Update	✓ Final	
Internal Audit Review of Property Transactions Report 2023/24	<b>Internal Audit</b>			No transactions – nil report to SG		



<b>Governance Matters (cont.)</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Losses & Special Payments	<b>Head of Financial Services</b>	✓		✓	✓	✓
Procurement Tender Waivers Compliance 2024/25	<b>Head of Financial Services</b>	✓ Q4		✓	✓	✓
Review of Annual Workplan 2025/26	<b>Board Secretary</b>				✓ Draft	✓ Approval
Review of Terms of Reference	<b>Board Secretary</b>					✓ Approval
<b>Risk</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Annual Risk Management Report 2023/24	<b>Associate Director of Risk &amp; Professional Standards</b>	✓ Draft	Deferred to next mtg to allow risk appetite work to be completed	✓ Final		
Corporate Risk Register	<b>Director of Finance &amp; Strategy/Associate Director of Risk &amp; Professional Standards</b>	✓	Removed	✓	✓	✓
Risk Management Key Performance Indicators 2023/24	<b>Associate Director of Risk &amp; Professional Standards</b>	✓ 2023/24		✓		
Risk Management Strategic Framework	<b>Associate Director of Risk &amp; Professional Standards</b>				✓	
Risks & Opportunities Group Progress Report	<b>Associate Director of Risk &amp; Professional Standards</b>	✓ Annual Statement of Assurance		Removed	Removed	✓
<b>Governance – Internal Audit</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
External Quality Assessment (5 yearly)	<b>Internal Audit</b>					✓
Internal Audit Framework (previously titled FTF Shared Service Agreement / Service Specification)	<b>Internal Audit</b>				Deferred to next mtg	✓
Internal Audit Progress Report	<b>Internal Audit</b>	✓		✓	✓	✓

<b>Governance – Internal Audit (cont.)</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Internal Audit Annual Plan 2024/25	<b>Internal Audit</b>		Deferred to next mtg	✓ Final		
Internal Audit Annual Report 2023/24	<b>Internal Audit</b>		✓			
Internal Audit – Follow Up Report on Audit Recommendations 2023/24	<b>Internal Audit</b>	✓		✓	Deferred to next mtg	✓
Internal Audit Framework	<b>Chief Internal Auditor</b>					✓
Internal Controls Evaluation Report 2023/24	<b>Internal Audit</b>				✓	
<b>Governance – External Audit</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Annual Audit Plan 2023/24	<b>External Audit</b>				✓	
External Audit – Follow Up Report on Audit Recommendations	<b>Director of Finance &amp; Strategy</b>					✓
Patients' Private Funds - Audit Planning Memorandum	<b>Head of Financial Services</b>					✓
Service Auditor Reports on Third Party Services	<b>Head of Financial Services</b>		✓			
<b>Annual Accounts</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Annual Accounts Preparation Timeline	<b>Head of Financial Services</b>	✓ Follow Up				✓ Initial
External Auditors Annual Accounts Progress Update	<b>External Auditor</b>	✓				✓
Annual Accounts & Financial Statements 2023/24	<b>Director of Finance &amp; Strategy / External Audit</b>		✓			
Annual Audit Report 2023/24	<b>External Audit</b>		✓			
Letter of Representation 2023/24	<b>Director of Finance &amp; Strategy / External Audit</b>		✓			
Patients' Funds Accounts 2023/24	<b>Head of Financial Services</b>		✓			
Annual Statement of Assurance to the NHS Board 2023/24	<b>Board Secretary</b>		✓			

<b>Counter Fraud</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Counter Fraud Service – Quarterly Report (Alerts & Referrals)	<b>Head of Financial Services</b>	Private Session		Private Session	Private Session	Private Session
Counter Fraud Standards Assessment	<b>Head of Financial Services</b>	Private Session				Private Session
Counter Fraud Action Plan 2024/25	<b>Head of Financial Services</b>			Private Session		
Counter Fraud Annual Report 2023/24	<b>Head of Financial Services</b>	Deferred	Deferred	Private Session		
<b>Adhoc</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Private Meeting with Internal / External Auditors	<b>Committee</b>			Private Session Internal Auditors only		Private Session
Appointment of Patients' Private Funds Auditor	<b>Director of Finance &amp; Strategy</b>	<b>As required</b>				
Legal & regulatory updates (e.g. Audit Scotland reports etc.)	<b>Head of Financial Services</b>					
Progress on National Fraud Initiative (NFI)	<b>Head of Financial Services</b>				Private Session	
<b>Additional Agenda Items (Not on the Workplan e.g. Actions from Committee)</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Update to Scheme of Delegation ( <i>Governance Matters Section</i> )	<b>Head of Financial Services</b>	✓				
Blueprint for Good Governance Action Plan Update ( <i>Governance Matters Section</i> )	<b>Board Secretary</b>			✓		
IJB Lessons Learned Update	<b>Director of Health &amp; Social Care</b>				✓	
NHS Fife Board's Risk Appetite Statement	<b>Director of Finance &amp; Strategy</b>				✓	

<b>Additional Agenda Items (Not on the Workplan e.g. Actions from Committee) (Cont.)</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Audit Scotland report: NHS in Scotland 2024 – Finance & Performance	<b>Director of Finance &amp; Strategy</b>				✓	
<b>Training Sessions Delivered</b>						
	<b>Lead</b>	<b>16/05/24</b>	<b>20/06/24</b>	<b>12/09/24</b>	<b>12/12/24</b>	<b>13/03/25</b>
Members' Training Session – the Annual Accounts: The Role & Function of the Audit & Risk Committee	<b>External Auditors</b>	✓				