

NHS Dumfries and Galloway

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland

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Key messages

2022/23 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 Some adjustments have been made in the audited accounts to reflect our audit findings. A number of errors were identified in how assets were accounted for in 2022/23 and in previous years. Improvements in the processes for asset accounting need to be made for 2023/24.

Financial management and sustainability

- 3 NHS Dumfries and Galloway has effective financial management arrangements in place. Although the board reported that it met all its financial targets for 2022/23 and operated within its Revenue Resource Limit (RRL), this was achieved using £9.3 million of additional financial support from the Scottish Government.
- 4 The board realised £23.5 million of efficiency savings, the majority of which were achieved on a non-recurring basis which means that the board starts financial year 2023/24 with a recurring funding gap of £34.089 million.
- 5 £5.064 million of Dumfries and Galloway IJB's earmarked Covid-19 reserves were returned to the Scottish Government by way of a reduction to the board's RRL in January 2023. An equal reduction was made in the funding provided by the board to the IJB.
- 6 Effective internal control systems operated throughout the year.
- 7 NHS Dumfries and Galloway has effective financial planning arrangements in place but its financial plans show increasing pressures on services. Budget monitoring reports presented to the Performance and Resources Committee could be enhanced to provide more detail to allow increased scrutiny. They should include more detailed explanations for variances against directorate budgets and remedial actions being taken to address variances.
- 8 NHS Dumfries and Galloway has prepared a three-year financial plan for 2023/24 – 2025/26 and has entered a tailored support arrangement with the Scottish Government to help the board to develop and implement a robust financial recovery plan.

- 9 To achieve breakeven in 2023/24 the board is forecasting it requires additional financial support of £35.892 million from the Scottish Government.
- 10 NHS Dumfries and Galloway is finding it difficult to recruit staff and relies on supplementary staff for a number of hard to fill posts, at a high cost to the board. The use of supplementary staff is directly related to both availability of staff, depleted during the period due to continuing vacancies and levels of absence, and to growing levels of activity and demand for services throughout the board. Expenditure on agency and other directly engaged staff increased by 9.8 per cent to £15 million in 2022/23.

Vision, leadership and governance

- 11 NHS Dumfries and Galloway has a strategic statement supported by the Annual Delivery Plan.
- 12 Effective governance arrangements are in place that support good governance and accountability. The Board's executive and non-executive members demonstrate effective leadership, challenge and scrutiny of the board's activity and performance.
- 13 The board has appropriate arrangements in place to prevent fraud and corruption.
- 14 Cyber security arrangements are adequate but there is scope for improvement in relation to Business Continuity Planning (BCP) arrangements.

Use of resources to improve outcomes

- 15 Covid-19 has impacted significantly upon the board's activity and waiting times for services. The board's remobilisation plans evolved into a 2022/23 Annual Delivery Plan which includes series of actions designed to restore performance levels.
- 16 The board has recently developed its own performance management framework to support continuous improvement which should be introduced as soon as practicable.
- 17 Although officers have previously reported to members on the arrangements in place to secure Best Value, this needs to happen more regularly.

Introduction

1. This report summarises the findings from our 2022/23 annual audit of Dumfries and Galloway Health Board, commonly known as NHS Dumfries and Galloway (the board). The scope of the audit was set out in an Annual Audit Plan presented to the 24 April 2023 meeting of the Audit and Risk Committee. This annual audit report comprises:

- significant matters arising from an audit of the board’s annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

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

3. We took a hybrid approach to the 2022/23 audit, with a blend of onsite and remote working.

Audit appointment from 2022/23

4. I, Fiona Mitchell-Knight, have been appointed by the Auditor General as auditor of NHS Dumfries and Galloway for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

5. My team and I would like to thank Board members, Audit and Risk Committee members, executive directors, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

6. NHS Dumfries and Galloway has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers. NHS Dumfries and Galloway is also responsible for

establishing appropriate and effective arrangements for governance, propriety, and regularity.

7. The responsibilities of the independent appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

8. Weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of NHS Dumfries and Galloway from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £169,900, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. We add value to NHS Dumfries and Galloway by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice.

1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Our audit opinions on the annual accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

Some adjustments have been made in the audited accounts to reflect our audit findings. A number of issues were reported in how assets were accounted for. The board now needs to make improvements in how assets are accounted for in 2023/24.

Audit opinions on the annual report and accounts are unmodified

12. The Board approved the annual report and accounts for NHS Dumfries and Galloway and its group for the year ended 31 March 2023 on 29 June 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

13. The working papers provided to support the accounts were of a good standard and the audit team received good support from finance staff which helped ensure the final accounts audit process ran smoothly.

Overall materiality was assessed on receipt of the unaudited annual report and accounts as £7.1 million

14. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

15. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Board	Group
Overall materiality	£7.098 million	£7.121 million
Performance materiality	£4.614 million	£4.629 million
Reporting threshold	£177 thousand	£178 thousand

Source: Audit Scotland

16. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

17. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65 per cent of overall materiality, reflecting the fact there were no significant issues identified in the prior year audit impacting our audit approach and no significant history of errors being communicated to us by the former audit team.

18. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance in NHS Dumfries and Galloway.

Significant findings and key audit matters

19. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the board including our view about the qualitative aspects of the body's accounting practices.

20. The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Health and Social Care Integration</p> <p>The integration joint board's (IJB) activities have been reflected in the board's accounts. £376.290 million has been included in the board's other health care expenditure relating to the board's payments to the IJB. Income of £395.467 million for services commissioned by the IJB has also been included.</p> <p>The IJB has been consolidated into the group accounts as joint ventures, £7.757 million has been shown in financial assets, representing the board's share of the IJB's cumulative financial outturn to 31 March 2023.</p> <p>The IJB figures are based on the unaudited accounts for each IJB and the deadline for these accounts to be audited is 30 September 2023. We do not anticipate any material changes to the draft figures used in consolidation.</p>	<p>For information only.</p>
<p>2. Endowment Funds</p> <p>The Endowment Funds figures included in the 2022/23 group accounts were based on the unaudited financial statements. The Endowment Funds financial statements were approved by the trustees and external auditor of the Endowment Funds on 12 June 2023. The unaudited Endowment Funds financial statements were adjusted following the audit to decrease net expenditure by £0.072 million and increase net assets by £0.072 million and the board's group accounts were adjusted accordingly. The external auditor of the Endowment Funds has raised no significant issues in relation to their audit.</p>	<p>For information only.</p>

Issue	Resolution
<p>3. Untaken Holiday Liability</p> <p>The board is required to calculate the estimated cost of any untaken holiday (i.e. annual leave, flexitime and time off in lieu balances) at 31 March 2023 that can be carried forward and used during 2023/24. Our review of the board's approach to the calculation of the untaken holiday liability identified that it was not fully in accordance with the relevant guidance.</p> <p>The untaken holiday liability included in the board's 2022/23 unaudited annual report and accounts was £3.648 million. As a result of our findings, officers accepted that the accrual needed to be restated to comply with the relevant guidance. The revised approach identified that the board's untaken holiday liability should be £3.910 million, an increase of £0.262 million.</p>	<p>The board has decided not to adjust the 2022/23 accounts. As a result, we conclude that the Core Revenue Expenditure is understated by £0.262 million, and the board's RRL outturn position is misstated by an equal amount.</p> <p>We have included this as an uncorrected misstatement in the accounts, at paragraph 24 and have made a recommendation in respect of the approach to the calculation of this liability.</p> <p>Recommendation 1 (refer Appendix 1, action plan)</p>
<p>4. Accounting treatment for revaluation of land and buildings</p> <p>In 2015/16 the board's then external auditor reported in the Annual Audit Report that the board's annual accounts did not disclose the transfer from the revaluation reserve to the general fund to account for the realised element of the revaluation reserve, i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost. It was recommended that the fixed asset register (CARS) should be updated or a process implemented to assist in future calculations relating to revaluations and also for transfers to the general fund each year. The auditor highlighted that the scale of this matter was such that there was no impact upon their audit opinion.</p> <p>In 2016/17 the board's incoming external auditor reported in the Annual Audit Report that the previous year recommendation had not been implemented and recommended that a suitable process for calculating a starting point for this piece of work with the auditor by December 2017.</p> <p>However, our audit of the board's 2022/23 accounts identified that this issue had not been addressed. As a result, the revaluation reserve and general fund figures are misstated.</p>	<p>The board has decided not to adjust the 2022/23 accounts as the amount to be transferred between the revaluation reserve and the general fund is unquantified. Due to the fact the unquantified error in relation to the annual transfer is a classification error between the revaluation reserve and the general fund, and this has no impact on the RRL outturn, the board's view is that does not materially affect the financial position of the board for the readers of the accounts. We accept this view.</p> <p>There is a possible impact on net expenditure from this treatment, relating to the accounting treatment of impairments. In our opinion, this does not represent a risk of material misstatement to the 2022/23 accounts which would impact upon our audit opinion. However, we have made a recommendation in relation to implementing a suitable process to address this issue.</p> <p>Recommendation 2 (refer Appendix 1, action plan)</p>

Issue	Resolution
<p>5. Impairment review of equipment</p> <p>International Accounting Standard (IAS) 36 – Impairment of Assets states that bodies are required to assess at 31 March each year whether there is any indication that an asset may be impaired. We identified that the board does not carry out a formal impairment assessment in relation to equipment. Currently, an impairment is only recognised by the board if the relevant service department within the board contacts the repairs team to inform them there is an issue with equipment. Therefore, the process in relation to equipment could be improved by obtaining positive confirmation from services as to functionality of equipment at year-end to allow them to assess for any indication of impairment.</p>	<p>We have made a recommendation in relation to implementing a suitable process to address this issue.</p> <p>Recommendation 3 (refer Appendix 1, action plan)</p>
<p>6. Impairment reversal</p> <p>The board's 2022/23 accounts include an impairment reversal of £3.104 million in relation to the reversal of an impairment loss of £18 million for Mountainhall Treatment Centre (former Dumfries & Galloway Royal Infirmary) accounted for in the board's 2017/18 accounts. Officers informed us that following discussion with their previous external auditors, its view was that the board could not account for an impairment reversal greater than the carrying amount of the asset, it should reverse the impairment up to the carrying amount across future years. Our review of both International Accounting Standard (IAS) 36 – Impairment of Assets and the Capital Accounting Manual identified that, when recognising an impairment loss reversal for an individual asset, the increased carrying amount of the asset should not exceed the carrying amount that would have been determined had no impairment loss previously been recognised. Any increase in the carrying amount over and above this amount is a revaluation. Therefore, the reversal of the impairment loss should have been recognised up to extent the impairment loss had previously been recognised and the remaining increase above the carrying amount treated as a revaluation.</p> <p>As a result, the 2022/23 accounts include a maximum potential misstatement of £3.104 million.</p>	<p>The board has decided not to adjust the 2022/23 accounts. As a result, we conclude that the accounts include a maximum potential misstatement of £3.104 million. However, this has no impact on the outturn against the board's RRL as, if adjusted, the board's Non-Core RRL allocation from the Scottish Government would have been adjusted to reflect the corrected accounting treatment.</p>

Issue	Resolution
<p>7. Assets under construction</p> <p>As part of our audit work, we performed testing of a sample of Assets Under Construction disclosed within the Property, Plant and Equipment note of the board's unaudited accounts. We identified that, due to the cut-off date applied by officers for recognising when assets become operational, a number of assets should have been transferred from the Assets Under Construction column to the relevant asset category column of the Property, Plant and Equipment note. This affected both the 2021/22 balances brought forward and the 2022/23 balances.</p>	<p>Officers have updated the Property, Plant and Equipment note of the accounts to correct the £3.5 million errors we identified in relation to the 2022/23 disclosures to transfer balances but have decided not to adjust the errors identified in relation to the 2021/22 balances. From the sample we tested, we identified £0.680 million of errors within the Assets Under Construction balances that should have been recognised as operational in the board's 2021/22 accounts.</p> <p>We carried out extra audit testing in this area as a result of the errors found and concluded that any potential errors in the assets under construction not tested could not represent a material misstatement of the Property, Plant and Equipment assets in the accounts.</p> <p>We have made a recommendation for officers to ensure that Assets Under Construction becoming operational are correctly classified in the board's accounts in future.</p> <p>Recommendation 4</p> <p>(refer Appendix 1, action plan)</p>

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

21. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) overleaf sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Identified Significant risks of material misstatement in the annual report and accounts**

Significant risk of material misstatement	Audit response to risk	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>We assessed the design and implementation of controls over journal entry processing.</p> <p>We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>We carried out detailed testing of journal entries with a focus on significant risk areas, including year-end and post-close down entries.</p> <p>We assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</p> <p>We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>We evaluated significant transactions outside the normal course of business.</p> <p>We carried out substantive testing of income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year.</p> <p>We carried out focussed testing of accounting accruals and prepayments.</p>	<p>Results: We did not identify any incidents of management override of controls through our audit testing.</p>

22. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- the arrangements for ensuring the annual revaluation of assets (land and buildings) were free from material misstatement
- how the clinical medical negligence and CNORIS provisions have been estimated to ensure they are free from material misstatement.

23. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Identified misstatements in the accounts were less than our materiality levels and did not affect our audit opinion

24. Although there were a number of adjustments to the unaudited financial statements arising from our audit which were above our reporting threshold, there was no impact on net expenditure and were less than our materiality levels. A number of misstatements were identified which were not processed through the financial statements and these have been classified as uncorrected misstatements. One of these is detailed in [Exhibit 2](#) and further details of all of the uncorrected misstatements are included in [Appendix 2](#). If the uncorrected misstatements errors were adjusted, these would have decreased net expenditure by £0.353 million and increased the net assets in the consolidated statement of financial position by the same amount.

25. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. We have reviewed the nature and cause of the identified misstatements and concluded that they had no impact on our audit approach.

The unaudited annual report and accounts were not received in line with the agreed timetable

26. The unaudited annual report and accounts were not received in line with our agreed audit timetable on 15 May 2023. However, they were received on 23 May 2023 and this delay had no significant impact on the progress of the audit.

The performance report and governance statement are of a good standard

27. In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the body’s performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body’s performance as well as helping stakeholders understand the financial statements.

28. We reviewed the performance report provided to us as part of the unaudited 2022/23 annual report and accounts taking into account good

practice notes issued by Audit Scotland in recent years in relation to the content of performance reports in the NHS and Central Government. After adjustments were made following auditor recommendations, we have concluded that the board's 2022/23 performance report complies with good practice.

Good progress was made on prior year audit recommendations

29. The board has made good progress in implementing the prior year audit recommendations identified by Grant Thornton, the board's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Main judgements

NHS Dumfries and Galloway has effective financial management arrangements in place. Although the board reported that it met all its financial targets for 2022/23 and operated within its Revenue Resource Limit (RRL), this was achieved using £9.3 million of additional financial support from the Scottish Government.

The board realised £23.5 million of efficiency savings, the majority of which were achieved on a non-recurring basis which means that the board starts financial year 2023/24 with a recurring funding gap of £34.089 million.

£5.064 million of Dumfries and Galloway IJB's earmarked Covid-19 reserves were returned to the Scottish Government by way of a reduction to the board's RRL in January 2023. An equal reduction was made in the funding provided by the board to the IJB.

Budget monitoring reports presented to the Performance and Resources Committee could be enhanced to provide more detail to allow increased scrutiny and should include more detailed explanations for variances against directorate budgets and remedial actions being taken to address variances.

Effective internal control systems operated throughout the year.

Although NHS Dumfries and Galloway operated within its Revenue Resource Limit (RRL) of £422.440 million, this was achieved using £9.3 million of additional financial support from the Scottish Government

30. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within.

31. With effect from 2019/20, the Scottish Government introduced a new approach to financial planning and target setting. This removed the requirement for boards to achieve financial balance annually and instead boards were required to achieve a breakeven position over a rolling three-year period. NHS boards can exercise annual flexibility within 1 per cent of their revenue resource limit. However, the Scottish Government paused the normal financial planning arrangements under the Scottish Government's Health and Social Care Medium

Term Financial Framework due to the pandemic. The requirement for boards to develop three-year financial plans was reintroduced from 2022/23.

32. As illustrated in [Exhibit 4](#), the board reported that it operated within all limits during 2022/23. However, the underspend against Core RRL was achieved as a result of the board receiving additional non-recurring financial support of £9.3 million from the Scottish Government in March 2023. In a letter dated 9 May 2023, the Director of Health Finance and Governance at the Scottish Government confirmed that an appropriate repayment profile for the additional financial support would be agreed in due course following the board's return to financial balance.

Exhibit 4 Performance against resource limits in 2022/23

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	413.369	413.277	0.092
Non-core revenue resource limit	9.071	9.071	0
Total revenue resource limit	422.440	422.348	0.092
Core capital resource limit	8.078	8.078	0
Non-core capital resource limit	0.434	0.434	0
Total capital resource limit	8.512	8.512	0
Cash requirement	471.653	471.653	0

Source: NHS Dumfries and Galloway Annual Report and Accounts 2022/23

There was a significant financial impact from high inflationary pressures and reduced opportunities for cost reduction programmes during the pandemic

33. NHS Dumfries and Galloway's 3 year financial plan for 2022/23 – 2024/25 was approved by the Board in April 2022. The financial plan estimated that the board would start 2022/23 with an estimated £28.899 million recurring deficit (before consideration of financial pressures) and highlighted that the board was unable to provide a balanced financial position for the three year plan. Through the identification of a range of non-recurring measures the board estimated a non-recurring support requirement from the Scottish Government of £20 million for 2022/23 and an indicative £20 million and £18 million for 2023/24 and 2024/25 respectively. The financial plan assumed that all Covid-19 costs and remobilisation costs would be fully funded for 2022/23.

34. The board has a Financial Recovery Board (FRB) in place that is responsible for monitoring and taking corrective action to manage the delivery of the in-year financial plan to target, taking account of the impact of any decision on the 3 year plan and the board's longer term financial recovery plan. The FRB meets on a monthly basis, is chaired by the Director of Finance and the Chief Executive, Chief Operating Officer, Deputy Chief Operating Officer, Deputy Director of Finance and Head of Planning are members. A financial framework for investment has been approved by the FRB and is being rolled out across the board and the IJB which will ensure that all investment decisions are taken by the Board Management Team and Health and Social Care Leadership Team. The FRB has an oversight role to ensure that decisions are being taken in the correct forum.

35. The finance update report showing the 2022/23 year end position was presented to the Board meeting on 12 June 2023. The report highlights, as noted above at paragraph 32, the small underspend against Core RRL (shown in [Exhibit 4](#)) was achieved as a result of the board receiving additional non-recurring financial support of £9.3 million from the Scottish Government in March 2023. The report also notes that for the services delegated to the Integration Joint Board (IJB), the outturn break-even position was only delivered as a result of the £9.3 million of additional financial support from the Scottish Government being passed across in full to the IJB along with a further £2.2 million from the board. This was factored into the forecast position for the board as the Integration Scheme for the IJB required the board to fund any overspend on the delegated health services.

36. The report highlights the most significant areas of financial pressure relate to utilities, prescribing costs and locum costs across acute, women and children's and mental health directorates.

Efficiency savings of £23.5 million were achieved but the majority of these were non-recurrent savings

37. The finance update report for the 2022/23 year end position highlights that the board achieved £23.5 million of efficiency savings, of which £21.3 million were achieved on a non-recurring basis.

38. The net impact of these savings including the additional financial support from the Scottish Government of £9.3 million (noted above), allowed the board to achieve a small surplus in 2022/23. Given that 91 per cent of the £23.5 million efficiency savings achieved were on a non-recurring basis, this means that the board starts financial year 2023/24 with a recurring funding gap of £34.089 million.

£5.064 million of the IJB's reserves relating to Covid-19 funding carried forward from previous years was repaid to the Scottish Government through a reduction to the board's RRL in 2022/23. An equal reduction was made in the funding provided by the board to the IJB

39. NHS Dumfries and Galloway and Dumfries and Galloway Council delegate responsibility for a specified range of health and social care services to Dumfries and Galloway Integration Joint Board (IJB) and passes the resources

associated with these services to the IJB. This includes the entire resources of the Acute and Diagnostics' Directorate, Community Health and Social Care Directorate (which also includes all prescribing areas), Mental Health and Learning Disabilities services and the entirety of Women and Children services. Facilities, Ehealth and strategic services have also all been delegated to the IJB so, as a result, there is no set aside budget, with the majority of clinical services delegated. The operational delivery of NHS services is delivered through the IJB led by the IJB Chief Officer who also has a dual role as Chief Operating Officer for the board. Services not delegated to the IJB are managed through the executive management team of the board.

40. The budget is amended throughout the year to reflect additional funding received by the board for IJB services. Under the integration financial guidance, any funding unspent at the year-end belongs to the IJBs and is retained by them to be held in reserves for use in future years. The IJB held an earmarked reserve balance for Covid-19 funding carried-forward from 2021/22 totalling £16.346 million. The Scottish Government outlined arrangements in January 2023 to enable Covid-19 reserve balances to be returned through NHS Board allocations back to the Scottish Government. As a result, £5.064 million of the IJB's earmarked reserves were returned to the Scottish Government by way of a reduction to the board's Core RRL in January 2023. An equal reduction was made in the funding provided by the board to the IJB.

Financial systems of internal control

41. As part of our audit, we develop an understanding of the board's control environment in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that NHS Dumfries and Galloway has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. Our audit is not controls based and, with the exception of payroll, we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our 2022/23 Annual Audit Plan.

42. In our 2022/23 Annual Audit Plan we highlighted that an issue had arisen following the January 2023 e-Financials systems upgrade from version 5 to version 6 which had yet to be fully rectified. The system is hosted by NHS Ayrshire and Arran. The upgrade had impacted on some elements of the finance function, the main issue being the instability of DbCapture, the optical character recognition tool used by the NHS to scan/read invoices for payment.

43. In response, we assessed the impact of the upgrade on the system's controls and payment processes. We also reviewed and consider the implications of the NHS Dumfries and Galloway NSI 2022/23 service auditor report references to the upgrade. There were no weaknesses identified from our work in this area, backlogs in invoice processing arising from the upgrade were cleared before the accounts were produced.

Budget monitoring reports presented to the Performance and Resources Committee could be enhanced to provide more detail to allow increased scrutiny

44. In our 2022/23 Annual Audit Plan we identified budget monitoring arrangements as an area of focus. Finance update reports submitted to meetings of the Board and Performance and Resources Committee which provide a high-level focus on reporting against the financial plan and managing the projected deficit position. As a result of this focus and capacity issues, regular budget monitoring reports outlining directorate outturns against budgets have not been reported directly to the Performance and Resources Committee or Board during 2022/23. Such reports are, however, produced and reviewed at an operational directorate level. In addition, mid-year performance reviews were held in November 2022 for all operating directorates and all corporate directorates had review meetings with the Chief Executive.

45. Officers advised that the Board Chair is of the view that budget monitoring reports presented to the Board should be of a strategic high level nature with more detailed financial reporting to the Performance and Resources Committee. We would expect budget monitoring reports presented to the Performance and Resources Committee to provide, for each directorate, details of overall funding, expenditure levels and expected outturn, to allow Board members (and stakeholders) to understand the overall financial position and performance of the board. There is a risk that the information provided to the board is insufficiently detailed to support scrutiny.

Recommendation 5

The board should enhance budget monitoring reports presented to the Performance and Resources Committee to include:

- more detailed explanations for variances against directorate budgets
- remedial actions being taken to address variances
- a forecast of year end outturns against directorate budgets
- reference to performance information to demonstrate the link between the budget position and performance.

This would allow for more challenge and scrutiny of the action to be taken to address variances against budget.

46. We concluded that the board's budget monitoring reporting arrangements could be enhanced to allow both members and officers to carry out more effective scrutiny of the board's finances.

47. The 2022/23 Internal Audit Annual Report presented to the Audit and Risk Committee meeting on 26 June 2023, did not highlight any weaknesses in relation to financial governance that impact on the annual accounts or our audit work. The Governance Statement included in the board's 2022/23 Annual Accounts highlights that assurance on all financial governance matters is reported through Audit and Risk Committee and continues to maintain a significant level of assurance.

Unqualified opinions were provided by service auditors on the controls operating in shared systems, however an assurance gap has been identified

48. The NHS in Scotland procures a number of service audits covering shared systems. NHS Ayrshire & Arran procured a service audit of the National Single Instance (NSI) eFinancials service. The service auditor assurance report in relation to the NSI eFinancials was unqualified but did highlight issues experienced following the system update in January 2023.

49. NHS National Services Scotland (NSS) procured service audits covering payments to primary care contractors (Practitioner Services) and national IT services. Both of these service auditor assurance reports were unqualified.

50. An assurance gap has been identified for the IT general controls, system backup and disaster recovery for the NSI eFinancials system. These are not covered by any of the current service audit arrangements. The NSI report states *'Atos provides national IT services to the NHS in Scotland and hosts the servers upon which the financial ledger sits. Therefore, IT general controls, controls over the server, back of financial ledger data and disaster recovery arrangements are outside the scope of this report'*. However, it is clear from the service auditor assurance report for the national IT services contract that this covers the controls associated with the other service arrangements i.e. primary care payments.

51. Although this did not result in an audit risk in 2022/23, boards should ensure they are satisfied that controls over the NSI eFinancials system are adequate in the absence of these service auditor assurances.

52. These service audit reports were presented to the Audit and Risk Committee meeting on 26 June 2023 and have been referred to in the Governance Statement included within the board's 2022/23 Annual Accounts.

53. As your external auditor we have considered the content of these service auditor assurance reports. There are no significant findings to draw to your attention relating to the 2022/23 accounts.

3. 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.

Main judgements

NHS Dumfries and Galloway has effective financial planning arrangements in place but its financial plans show increasing pressures on services.

NHS Dumfries and Galloway has prepared a three-year financial plan for 2023/24 – 2025/26 and has entered a tailored support arrangement with the Scottish Government to help the board to develop and implement a robust financial recovery plan.

To achieve breakeven in 2023/24 the board is forecasting it requires additional financial support of £35.892 million from the Scottish Government.

NHS Dumfries and Galloway is finding it difficult to recruit staff and relies on supplementary staff for a number of hard to fill posts, at a high cost to the board. The use of supplementary staff is directly related to both availability of staff, depleted during the period due to continuing vacancies and levels of absence, and to growing levels of activity and demand for services throughout the board. Expenditure on agency and other directly engaged staff increased by 9.8 per cent to £15 million in 2022/23.

The response to Covid-19 and a range of emerging financial pressures have exacerbated the financial position of the NHS in Scotland

54. As highlighted in Audit Scotland's [NHS in Scotland 2022](#) report, the financial position is concerning across the health sector. Despite growth in health funding a range of financial pressures are presenting a significant challenge for all health boards. These include:

- inflation
- recurring pay pressures
- ongoing Covid-19 related costs
- rising energy costs
- a growing capital maintenance backlog.

NHS Dumfries and Galloway has prepared a three-year financial plan for 2023/24 – 2025/26 and has entered a tailored support arrangement with the Scottish Government to help the board to develop and implement a robust financial recovery plan

55. In our 2022/23 Annual Audit Plan we identified financial sustainability as an area of focus. NHS boards are required to produce three-year financial plans as part of the Scottish Government's medium-term financial framework. The board's draft three-year financial plan for 2023/24 – 2025/26 was submitted to the Scottish Government on 10 February 2023 and presented to the Performance and Resources Committee meeting in March 2023. The final version of the financial plan was presented to the meeting of the Board on 17 April 2023 and submitted to the Scottish Government thereafter.

56. The financial plan highlighted that the board would start 2023/24 with an estimated £34.089 million recurring deficit. The financial plan showed that the board's 2023/24 funding settlement from the Scottish Government brought an uplift to the base RRL (excluding 2022/23 pay settlement) of £6.9 million and that a further £1.4 million had been anticipated for an increase on the New Medicines Fund. The Scottish Government issued planning assumptions for 2023/24 – 2025/26 to be used as part of the financial plan submission and these have been used along with local assumptions. These continue to be reviewed by finance officers.

57. The financial plan sets out a significant worsening of the recurring deficit position and, with additional non-recurring measures, the target in-year deficit is estimated at £35.892 million in 2023/24, £42.455 million in 2024/25 and £50.343 million in 2025/26.

58. Efficiency savings play a crucial part in filling funding gaps. The board's financial plan identifies that, for 2023/24, the Scottish Government have set a 3 per cent efficiency target as part of the planning assumptions. Based on the work carried out on the board's financial recovery plan it is anticipated that £6 million is the upper level of recurring savings that are achievable locally, which equates to approximately 1.7 per cent. The balance of the savings target will require to be delivered on a non-recurring basis. Although targets have been identified for the various workstreams, further work is required to conclude the detail of the schemes to be delivered, workshops are being arranged within both the IJB and the board to identify further schemes. This work continues to be overseen by the FRB.

59. The financial plan recognises that in addition to delivery of the 3 per cent savings target it must cover any in-year directorate overspends, which are currently estimated at £12.715 million.

60. The financial plan includes a section on anticipated funding allocations from the Scottish Government for 2023/24. The board received its 2023/24 budget letter from the Scottish Government in December 2022 which set out the indicative funding settlement. The letter noted that although Covid-19 costs had reduced significantly in 2022/23 and were projected to reduce further in 2023/24, there was recognition that there are specific legacy costs that will require additional funding support during 2023/24. This includes funding for:

- vaccinations staffing and delivery
- test and protect activities including regional testing facilities
- additional Personal Protective Equipment (PPE) requirements
- some specific public health measures.

61. The Scottish Government are seeking to provide early clarity as to the total funding to be provided to support these costs. However, beyond the above, NHS boards and IJBs have been informed they should expect to meet remaining costs from baseline funding and should continue to drive these costs down as far as possible. The board's current planning assumption is that costs of around £4 million will be funded centrally but until the allocation is received there is a risk that this is not sufficient. The board's financial plan also assumes that the 2022/23 and 2023/24 pay awards are fully funded but until the allocation letter is received confirming this, officers are unable to assess the financial risk in relation to this.

62. The key risks and pressures outlined in the financial plan, in addition to those above, include:

- activity pressures have not been factored including any further drugs growth
- inflation is in excess of planning assumptions
- agency and locums expenditure continues in excess of budget set aside
- impact of workforce tool not factored in
- review of staffing levels post Dumfries and Galloway Royal Infirmary (DGRI) occupancy not included
- step changes within DGRI business case not included
- impact of any costs associated with General Dental Services pressures
- national and regional business cases are in excess of funding set aside.

63. As a result of the above, the board is unable to provide a balanced financial position for 2023/24 and would therefore need to seek non-recurring support of £35.892 million from Scottish Government. In addition, the financial plan highlights that the 2023/24 forecasted deficit position does not include the repayment of brokerage required for 2022/23 of £9.3 million. Although the board will continue to look at ways of reducing this, the size of the recurring deficit now accounts for 10 per cent of recurring baseline funding received. In the response to the board's financial plan for 2023/24 – 2025/26, the Director of Health Finance and Governance at the Scottish Government acknowledged the financial challenges facing the board over the period of the plan and highlighted that it remains the expectation of the Scottish Government that boards deliver a balanced financial outturn. Any financial assistance received by boards to support achievement of a breakeven position will be provided on a repayable brokerage basis and should be minimised as far as possible.

64. Following this, in a letter dated 3 May 2023 the Director of Health Finance and Governance at the Scottish Government set out the basis on which tailored support will be provided to the board in relation to the financial plan for 2023/24 – 2025/26 and the approach that the Scottish Government sought to agree with the board.

65. Tailored support is a collaborative arrangement between Scottish Government and the board which has an end objective of assisting the board to develop and implement a robust financial recovery plan. The approach follows four stages and aims to identify the key areas where there are opportunities to improve the financial position of the board and the support required to assist the board in developing and implementing the required actions.

66. Whilst the Scottish Government Health Finance team will lead the tailored support offering, it will work with colleagues as required across the wider Scottish Government portfolio team to provide access to relevant expertise to assist the board to make the improvements the Scottish Government and board collectively identify. The offer of tailored support has no impact on the Scottish Government framework of escalation and is focused on providing the board with access to assistance and resources to develop a financial recovery plan and implement actions to reduce the financial deficit through a joint and structured approach.

67. The four stages of tailored support are:

- Diagnosis – produce a report identifying the root causes of the issues and the scope of the ongoing activity by 30 June 2023
- Planning – complete a financial management assessment, agree an action plan for the delivery stage and agree success factors by 31 July 2023
- Delivery – produce a financial recovery plan (approved by the Board) outlining improvement trajectory and agree the specific support required to implement areas of the financial recovery plan by 30 September 2023
- Implementation - monthly Board monitoring reports against the agreed plan and trajectories and implementation of agreed actions and outcomes post 30 September 2023.

68. The approach is designed to facilitate and support engagement across a broad range of areas and will not be limited to engagement with the board's finance team. It is anticipated that the Scottish Government's work will involve colleagues across the board's Executive Team and key operational areas.

69. The letter also highlights that throughout the period of the provision of tailored support, the board remain responsible for the leadership and development of the financial recovery plan and the Scottish Government's role is to take responsibility for the provision of support, advice and resources, as required. Regular review meetings will be held and Scottish Government will agree the key outputs and next steps with the board at the end of each stage.

70. An update report on the board's 2023/24 financial plan with reference to the tailored support being provided by the Scottish Government was presented to the meeting of the Board on 12 June 2023. We will monitor the board's work in relation to the production of the financial recovery plan as required as part of the tailored support arrangements between the board and the Scottish Government.

NHS Dumfries and Galloway agency staff costs have increased by 9.8 per cent to £15 million in 2022/23

71. Total staff costs have increased from £226.650 million in 2021/22 to £242.009 million in 2022/23 (6.8 per cent increase). Agency and other directly engaged staff costs have increased at a higher rate, £13.742 million in 2021/22 to £15.093 million in 2022/23 (an increase of 9.8 per cent). The use of agency staff is directly related to both availability of staff, depleted during the period due to continuing vacancies and levels of absence, and to growing levels of activity and demand for services throughout the board in all operational directorates. The main increases year on year were in registered nursing, medical consultants and middle grade doctors (speciality registrars), detailed as follows:

- Nursing - increase of £0.937 million due to a high level of vacancies coupled with high levels of activity and intensity. The historical use of agency nursing staff within specialist areas such as critical care and neonatal (£0.300 million increase) was added to with high requirements within general wards (£0.427 million) to maintain safe care throughout. There was a continuation of an increased bed complement within community to ease the demand (£0.280 million) with these being partially staffed by agency nursing throughout the year.
- Medical – increase of £0.469 million in medical consultants was due to the continuing high number of difficult to fill posts with agency locums the only way to maintain services. The specialty specific issues change year on year but can be summarised into hard to fill vacancies, retirements and maintaining safe day time and on call rotas during levels of high demand. The middle grade doctors' agency locum requirement has increased due to gaps in rotas and demand (£0.574 million). The largest increase is within Galloway Community Hospital (£0.303 million) and this relates to the continued high levels of demand and vacancies.

The board's workforce plan 2022-2025 identifies the known workforce gaps and highlights the key opportunities and risks over the period of the plan

72. In our 2022/23 Annual Audit Plan we identified workforce pressures as an area of focus. As a consequence of the deemed rurality of the Dumfries and Galloway area, combined with the wider workforce and recruitment issues within the NHS, the board is facing substantial workforce pressures which impacts on its service delivery and transformational change capabilities.

73. The board depends on having the appropriate number of staff, in the right place, with the appropriate skills. The three-year Workforce Plan 2022-2025 for Dumfries and Galloway IJB was approved by the Board in October 2022. The foreword section of the workforce plan highlights that, as the IJB does not

employ any staff, the plan relates to staff employed by IJB partners, NHS Dumfries and Galloway, Dumfries and Galloway Council and independent contractors such as General Practitioners (GPs). The covering report to the Board highlights that the draft workforce plan was submitted to the Scottish Government (SG) in July 2022 and a feedback session was held between officers and SG colleagues in August 2022. It also notes that there was positive feedback on the workforce plan from the SG and, in particular, the integrated approach that was taken.

74. The workforce plan includes a section on the known workforce gaps in the region and highlighted that, as at March 2022, the number of job vacancies by job family within NHS Dumfries and Galloway were:

- Nursing and Midwifery: 147.6 WTE with 24.9 WTE being vacant for more than 3 months
- Medical and Dental Consultant: 20.8 WTE with 15.6 WTE being vacant for more than 6 months
- Allied Health Professionals (AHP): 13.9 WTE with 1 WTE being vacant for more than 3 months.

75. The workforce plan highlights the key opportunities and risks over the period of the plan (including attracting both a younger workforce and people over the age of 25, national and international recruitment, innovation and redesign, hybrid working, digital technology and staff wellbeing) and includes an action plan to address the workforce pressures across the region. The workforce plan notes that annual monitoring will be undertaken to assess progress against the action plan and will be reported into the IJB Board and relevant statutory sector groups or committees.

76. The Quarterly Workforce Data Report presented to the Staff Governance Committee meeting in March 2023 shows that at December 2022, the board had 3,951 WTE staff in post, with the total number of vacancies being 199.3 WTE (comprising 148.8 WTE in Nursing and Midwifery, 35.1 WTE in Allied Health Professionals (AHP) and 15.4 WTE in Medical and Dental Consultants). The report notes that this equates to a vacancy rate of 7.2 per cent in Nursing and Midwifery, 10.8 per cent in AHP and 12 per cent in Medical and Dental Consultants and highlights that these figures do not include establishment vacancies filled by NHS locum or long-term agency locum cover.

77. The Quarterly Workforce Data Report also shows that, in terms of staff turnover, 261 WTE staff left the board over the period April 2022 – January 2023 and 480.8 WTE staff started new roles within the board over the same period. As noted above, the board had 3,951 WTE staff in post at December 2022 which was a slight increase from March 2022 with 3,944 WTE staff in post.

78. Quarterly Workforce Data Reports are presented to each meeting of the Staff Governance Committee (SGC), the minutes of which are taken to relevant meetings of the Board. These quarterly reports allow members to monitor the board's statistics in relation to staff numbers, vacancies, time to hire, hard to fill posts, redeployment of staff, leavers, staff absences staff appraisals, staff training, staff accidents/incidents, employee relations, a 'latest headlines'

section providing the most up to date board wide summary and a directorate level headlines section for each directorate.

Sickness absence levels are lower than the Scottish average

79. NHS Dumfries and Galloway like most NHS boards is continuing to find it difficult to achieve the national performance standard of 4 per cent for sickness absence despite measures to maximise attendance at work. As at March 2023 the sickness absence rate was 5.38 per cent compared to 5.37 per cent at March 2022. The sickness absence rate across NHS Scotland at March 2023 was 6.2 per cent.

80. Short-term sickness (STS) rates have mainly been higher than the NHS Scotland rates since the start of 2019 but was equal or lower in November and December 2022. Long-term sickness (LTS) rates have been mainly lower since the start of 2019 apart from Mar/Apr/Jul 2021. The Acute Directorate is focusing on improving attendance levels by doing a deep dive into the main reasons why employees are absent from work with the view to being as proactive as possible where potential trends are identified. The Workforce Team have been conducting monthly attendance 1-2-1 meetings with any department over 7 per cent absence. Workforce are completing attendance audits across the directorate for any area which has had over 6 per cent absence for 3 months or more. Managers are being proactive in arranging supportive meetings for staff who have been absent from work for a period of 28 days or more and completing return to work questionnaires with employees promptly.

The board has arrangements in place to address the climate change targets set by the Scottish Government

81. Our 2022/23 Annual Audit Plan highlighted that tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

82. The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we gathered information on NHS Dumfries and Galloway's arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

Board climate change targets

83. The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK.

84. NHS Dumfries and Galloway has set a date of 2040 to reach net zero. The list of headline interim targets in the NHS Scotland Climate Emergency and Sustainability Strategy 2022-2026 were presented to the Board on 12 December 2021 and are as follows:

- All NHS owned or occupied buildings will be heated by renewables by 2038 or earlier
- All boards must reduce greenhouse gas emissions from activities under its control and from the electricity, steam and heat purchased by it to net zero by 2040 or earlier
- An interim target of reducing emissions from energy, water disposal, business travel, water consumption, wastewater treatment and leased assets by 75% compared to a 2019 baseline
- Specific reductions in relations to types of waste
- Reduce the number of kilometres travelled in relation to staff and patient travel by 20% by 2030 compared to 2019 baseline
- Specific reductions in petrol and diesel fuelled vehicles
- Decarbonise the owned and leased fleet by 2032 or earlier.

85. In December 2022 a Climate Emergency and Sustainability (CES) Programme Board was established which reports to the Performance and Resources Committee. The CES Programme Board helps the board meet its duties to tackle climate change. Draft terms of reference for this group were presented to the Board on the 12 December 2022. The interim targets listed above are included in the CES Programme Board Draft Workplan 2022-26 where they are split into different work streams and actions have been identified to achieve these.

86. NHS Dumfries and Galloway has a Net Zero Routemap (NZR) Carbon Emission Baseline Report which was published in January 2023. This report is the first stage in the development of this NZR and establishes the Carbon Emission Baseline which outlines the board's net zero trajectory to 2040 if it 'does nothing'/has a business-as-usual (BAU) approach. The estimates made of the board's carbon outputs incorporated known projects and well understood societal trends, e.g. the background rate of decarbonisation of the electricity grid in the UK. This trajectory will be used as a baseline for measuring progress to net zero and used to identify areas for carbon interventions. This will go into producing a final NZR for the board to follow.

Climate change strategy

87. There is a national NHS Scotland Climate Emergency and Sustainability Strategy 2022-2026. An Internal Audit report on the board's environmental strategy (November 2022) made twelve recommendations, including the production of a work plan setting out the board's strategy to meet its climate goals. A draft workplan was presented to the Board meeting in December 2022 and is the workplan being taken forward by the CES Programme Board as referred to above. This workplan is aligned to the key milestones published in the national strategy and serves as the climate change strategy for the board.

88. The Director of Finance presented a progress report on the Internal Audit environmental strategy review to the Audit and Risk Committee on 24 April 2023

which highlighted that all but two of the recommendations have been actioned and closed.

Monitoring and reporting of progress towards meeting climate change targets

89. The board submits an annual report to the Sustainable Scotland Network detailing compliance with climate change duties. This information is compiled into a national analysis report which is published annually. This report supersedes the prior requirement for individual boards to publish sustainability reports.

90. A report was presented to the Board meeting on 12 December 2022 entitled, Climate Emergency and Sustainability: Our Journey to Net Zero, which highlighted that the board does not carry out its duty to engage with external stakeholders and was exploring options on how to do this.

91. The CES Programme Board meets bi-monthly and a review of this is planned after 6 months then annually thereafter. As the Performance and Resources Committee has oversight responsibility for the approach to net zero, this committee receives updates on the work of the CES Programme Board and review the minutes of its' meetings.

92. A CES Programme Board update report was presented to the Performance and Resources Committee meeting on 23 May 2023. The report highlighted that:

- The 2021/22 Annual Health Board Climate and Sustainability Report will be presented to CES Programme Board on 5 June 2023 for formal approval, before being submitted to Scottish Government and being made available online
- Work is underway on the 2022/23 Annual Health Board Climate and Sustainability Report which is due for submission at the end of November 2023; a report on this will be presented to the meeting of the Board in October 2023.

93. In order to meet the national emissions targets, and as part of its commitment to decarbonise, NHS Scotland commissioned Jacobs and its partner Energy Systems Catapult (ESC) to develop Net Zero Routemaps (NZRs) for 12 of 22 health boards which did not yet have NZRs developed (of which NHS Dumfries and Galloway is one) Jacobs and ESC have previous experience decarbonising public sector sites. The first stage of this process is the establishment of the carbon emission baseline for the health boards which outlines their business-as-usual (BAU) or 'do nothing' trajectory to 2040 and incorporates known projects and well-understood societal trends e.g., the background rate of decarbonisation of the electricity grid in the UK.

94. The board's Net Zero Routemap Carbon Emission Baseline Report was submitted in January 2023 to NHS Scotland Assure (who are the commissioning agent) for scrutiny. The board has now received the final report and an action plan will be developed to assess what the board is able to implement locally and inform the development of the board's Property Strategy. The Estates team have commenced reviewing the investment strategy and

grants available to take this forward and the development of an Energy Strategy.

Consideration of the impact of climate change on the financial statements

95. At the December 2022 Board meeting a report was presented that stated that the climate emergency planning was at too early a stage to provide a detailed financial assessment but greater clarity was provided through the assessment included in the Jacobs report. The report also noted that although the shift to net zero will not come without investment, there are financial opportunities which arise from increasing the board's focus on becoming more sustainable and these should be built into the board's approach to achieve financial balance. The board's capital plan for 2023/24 has included an assessment of those capital schemes which will contribute to the net zero target.

Climate change reporting in the annual report and accounts

96. There is a section on the climate emergency and sustainability in the Performance Report which is included in the board's Annual Report and Accounts. All Board and committee report templates have recently been updated to include a separate section covering the climate emergency and sustainability to enable the report authors to describe relevant climate emergency and sustainability impacts where applicable. In future years this will be expanded to include more detail on the board's performance in this area.

4. Vision, leadership and governance

Public sector 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.

Main judgements

The board has a strategic statement supported by the Annual Delivery Plan.

Effective governance arrangements are in place that support good governance and accountability.

The Board's executive and non-executive members demonstrate effective leadership, challenge and scrutiny of the board's activity and performance.

The board has appropriate arrangements in place to prevent fraud and corruption.

Cyber security arrangements are adequate but there is scope for improvement in relation to Business Continuity Planning (BCP) arrangements.

97. The Board agreed a range of tactical priorities for 2022/23 at its Board meeting in June 2022 which were incorporated into the board's 2022/23 Annual Delivery Plan (ADP) approved in October 2022. They were summarised as follows:

- Vaccination Programme
- Elective Mobilisation
- Home Team Establishment
- Community Infrastructure Review
- Unscheduled Care Improvement
- Financial Recovery
- Workforce Development.

98. These incorporated a range of short, medium and long terms plans to support recovery from the pandemic's impact on services and move to a more sustainability service model. Reporting of progress on the delivery of the

2022/23 ADP is discussed further in the Use of Resources to Improve Outcomes section of this report.

99. In April 2023, the Board approved a document laying out [its Tactical Priorities for 2023/24](#) and its updated [Strategic Statement](#). The Strategic Statement sets out the board's mission to 'support local people to live healthy, happy, active and fulfilling lives'. The statement goes on to set out the vision and seven key ambitions that it feels are fundamental to achieving excellence in healthcare. The board's 2023/24 ADP was approved at the meeting of the Board on 12 June 2023 and for a number of the board's tactical priorities, the ADP is highlighted as one of the performance measures for monitoring addressing these priorities.

The governance arrangements operating throughout the year have been effective

100. The Board of NHS Dumfries and Galloway is supported by a 6 committees, including the Audit and Risk Committee. The minutes of committee meetings are presented to the Board. In addition, papers on Dumfries and Galloway IJB matters are presented to Board meetings as appropriate, including how IJB directions are reported and managed by the board. Non-executive Board members are also members of selected committees and are represented at the IJB Board. From review of Board and committee minutes and papers, we found that there was clear and transparent reporting and decision making.

101. Board meetings for 2022/23 took place mostly via Microsoft Teams with a move to hybrid meetings from April 2023. During the year there were 6 meetings with the recordings published on the board's website after the meeting. In addition, there were 6 private "in committee" Board meetings held during the year. Board members provide adequate scrutiny and challenge at these meetings to ensure the Board's performance is effectively reviewed. There has been no significant change to the board's governance arrangements during 2022/23.

102. Through our attendance at Audit and Risk Committee meetings, we concluded that committee papers were well prepared (and in sufficient time in advance of meeting for review), adequate time was allowed to discuss the issues on the agenda and committee members were well-prepared and asked appropriate questions. This enables the Audit and Risk Committee to exercise effective scrutiny.

103. The NHS Scotland Blueprint for Good Governance states that NHS boards should regularly review their governance arrangements. The board's Code of Corporate Governance was last reviewed in June 2022 and is due to be reviewed again in June 2024, which we consider to be sufficiently regular. In addition, the Corporate Governance Update report presented to the Board meeting on 17 April 2023 highlighted that, as part of the development of the board's Corporate Governance Framework, a Corporate Governance Workplan had been developed and included within the report. The report notes that the Workplan provides assurance that all of the relevant governance information is being taken through the Board or one of its committees and will be further developed throughout the year.

104. The NHS Scotland Blueprint for Good Governance (Second Edition) was published by the Scottish Government on 22 December 2022 and presented to the Board meeting on 13 February 2023 as part of a Corporate Governance Update report. The report highlighted that discussions were underway within the board to review the details within the Blueprint to ensure the board's Corporate Governance Framework and Workplan that was being developed encompassed and aligned to the requirements of the Blueprint.

105. The Corporate Governance Update report presented to the Board meeting on 17 April 2023 highlighted that the Scottish Government had notified boards that a national workshop was being held later that month. The outcomes from this workshop are to be considered at a Board workshop in Summer 2023, to develop the action plan for implementation of the Blueprint.

106. On an annual basis the Audit and Risk Committee undertakes a self-assessment exercise and the draft results were discussed and endorsed at the Audit and Risk Committee meeting held in April 2023. The self-assessment checklist used by the board is taken from the Scottish Government Audit Committee Handbook. This process represents good practice in demonstrating a clear commitment to continuous improvement.

107. We concluded that the board's governance arrangements have continued to operate effectively during the financial year and they support good governance and accountability. Board members provide adequate scrutiny and challenge at regular meetings to ensure the board's performance is effectively reviewed.

Executive and non-executive members demonstrated effective leadership, challenge and scrutiny of the board's activity and performance in 2022/23

108. NHS board chief executives and senior teams are responsible for the delivery of critical day-to-day services as well as leading the changes to how services are accessed and delivered in their boards. This places significant demands on senior leadership teams.

109. In April 2023, two new non-executive Board members were appointed for a period of four years. Both members were provided with an induction pack which included links to a number of publications in support of their new roles. In addition, due to changes in the leadership of Dumfries and Galloway Council, a new elected member was appointed to the Board from March 2023. The board is to continue to support all non-executive members throughout their appointments by providing relevant training to enable them to fulfil their responsibilities.

110. We have concluded that the board's executive and non-executive directors have demonstrated effective leadership and scrutiny of the board's activity and performance in 2022/23. Going forward, the executive and non-executive directors will have some challenging decisions to make with regard to how services are best delivered in the current financial climate.

The board conducts its business in an open and transparent manner

111. There continues to be an increasing focus on demonstrating the best use of public money. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

112. NHS Dumfries and Galloway's commitment to transparency is demonstrated by:

- public availability of board papers and minutes of committee meetings
- the annual accountability review (where members of the public can attend)
- the form and content of annual reports.

113. As noted earlier, Board meetings for 2022/23 took place via Microsoft Teams and during the year there were 6 meetings with the recordings published on the board's website after the meeting which demonstrates transparency.

114. As an alternative to public access to committee meetings, minutes of all meetings are available through the Board papers. We concluded that the board conducts its business in an open and transparent manner.

Internal audit

115. The Board also obtained independent assurance on its governance arrangements from Internal Audit. The Chief Internal Auditor concluded that there were adequate and effective internal controls throughout the year. However, we noted that, as confirmed by the Chief Internal Auditor, 58.5 per cent of all internal audit actions were overdue as at 1 June 2023. We recommend that management continue to work with Internal Audit to ensure that these overdue actions are implemented, addressed and completed as soon as is practicable.

116. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2022/23 we did not plan to place formal reliance on the work of internal audit to support our financial statements audit opinion. However, we considered internal audit report findings as part of our wider dimension work.

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

117. Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

118. The board has a range of established procedures in place designed to maintain standards of conduct, prevent and detect bribery and corruption and prevent and detect of fraud and error.

119. An online training module on fraud awareness is included in the corporate induction programme for all staff. The fraud policy and action plan is available to all staff via the board's intranet and on the board's website. There are codes of conduct for members and staff which are also available on the board's website. The board has implemented and publicised the National Whistleblowing Standards as established by the Independent Whistleblowing Officer. The whistleblowing homepage is available to all staff via the intranet. Whistleblowing updates are presented to meetings of the Board on a quarterly basis and the annual report for 2021/22 was presented to the meeting of the Board held on 3 October 2022. Quarterly fraud reports are presented to Audit and Risk Committee. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

120. We have concluded that the board has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

The board is proactive in investigating matches and reporting the outcomes of National Fraud Initiative (NFI) activity

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

122. NFI data matches were issued to the board in January 2023 as part of the NFI exercise for 2022/23. 32 (1 per cent) of the 2,757 data matches identified for the board were considered to have a risk associated, with 15 matches very high risk, 8 matches high risk and 9 matches medium risk. All matches related to payroll matches and were reviewed as a priority in May and June 2023. 5 of these matches were closed with no issues identified and for the remaining matches, responses are awaited from other boards to allow the work to be concluded.

123. The results of NFI activity are reported regularly to the Audit and Risk Committee by the Chief Internal Auditor and Financial Governance Manager. We concluded that the board is proactive in investigating matches and reporting the outcomes of NFI activity.

Cyber security arrangements are adequate but there is scope for improvement in relation to Business Continuity Planning (BCP) arrangements

124. Our 2022/23 Annual Audit Plan also highlighted that there continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents in the public sector have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we considered NHS Dumfries and Galloway's arrangements for managing and mitigating cyber security risks.

125. The board has a corporate responsibility to ensure all operational activities are carried out within the statutory standards as prescribed by the General Data Protection Regulation (GDPR), Data Protection Act 2018 (DPA), Public Records (Scotland) Act 2011 legislation along with Network Information Systems (NIS) requirements for the management and handling practices of data, information on both paper and electronic media. The business of the board's Information Assurance Committee (IAC) is to oversee these working practices and ensure assurance against the named standards.

126. Our review of the board's cyber security arrangements identified that the board has anti-virus and virus scanning software, intrusion prevention and detection systems and firewalls in place. Our review noted that the most recent Information Security Update Report presented to the IAC includes monthly assurance reports on the number of virus/malware events detected by the anti-virus software for both Windows 7 and 10 and the number of neutralised intrusion detections. The firewalls were upgraded in January 2023 which allowed for the reintroduction of 24/7 monitoring of intrusion threats. This demonstrates that there is proactive monitoring of threats and that work is undertaken to ensure adequate protection of the board's systems.

127. The board is deemed to be an Operator of Essential Services (OES) and is therefore required to adopt the cyber security controls set out in the EU Network and Information Systems Regulations 2018 (NISR). Compliance with the NISR is assessed on a regular basis by the Scottish Health Competent Authority, with the actual audit / review process undertaken by a service organisation. In the case of the board, this has been undertaken by Cyber Security Scotland. According to the NISR Audit Guidance, an initial compliance audit was undertaken for all Scottish health boards in 2020, with audits to be conducted every third year unless more frequent audits are warranted. Compliance reviews are conducted in intervening years.

128. The NISR Review Report 2022 which was reported to the 24 October 2022 Audit and Risk Committee meeting which highlighted that:

- the board's overall compliance status was 80 per cent and shows that steady improvements over the past couple of years from 70 per cent in 2020 up to 75 per cent in 2021. The key messages of the report are positive, giving the opinion that, "*Leadership and governance in security cited in 2021 has continued to be strong with further investment in both specialist staff and technology indicative of the commitment of the board to cyber security. The progress made in controls and recommendations implementation are clear evidence of this commitment and the leadership shown by the Cyber Security Manager.*" Progress on improvements has seen the board's risk profile reduce its risk exposure from 7 per cent to 4 per cent
- the compliance progress analysis for the period 2020-2022 shows that there has been progress in several categories such as risk management, asset management, physical / building security, and incident management. However, amber compliance ratings have remained over the three year period in supplier management and access control and there has been no progress on improvements in relation to supplier management since the 2020 audit. Although improvements have been made to aspects of access control, there has

been no movement in the overall amber control rating due to red compliance ratings related to privilege management and administrator account management. The main issue appears to be that administrator accounts are being used to carry out non-administrator related activities. However, it is worth noting that a new Supplier Management Cyber assessment software (ONETRUST) and Privileged Access management (IMPRIVATA) have been implemented to address these issues. Both of these delays were noted as capacity/resource availability

- the recommendations current status shows that 0 per cent of the controls have been rejected by the board with 68 per cent of recommendations completed or in progress. It is also clear that progress has been made on prior year recommendations to improve compliance with controls.

129. The board has a Cyber Incident Response Plan (CIRP) in place (updated January 2023) which covers cyber incidents with a rating of 3 and above on a scale of 3-5. Each rating level is defined in severity in relation to impact on data protection (with reference to confidentiality, integrity and availability) and information systems and services (with reference to systems, people, duration, geography, and reputation). The CIRP includes reporting mechanisms for cyber incidents with all incidents to be reported to the helpdesk if discovered by staff and are then assessed for severity by the eHealth Cyber Security Manager / Infrastructure Team. If the cyber incident is assessed to have a rating of 3+ then the processes outlined in the CIRP flow chart are followed, with appropriate reporting to NIS / the ICO.

130. A cyber-attack desktop exercise to test the CIRP and help develop Business Continuity Planning (BCP) arrangements was carried out in September 2021 which involved stakeholders from all key areas of the organisation including senior management and overseen externally by the Head of Information and Cyber Security at NHS NSS.

131. The Information Assurance Update Report is also presented to the Audit and Risk Committee. The report presented to the Audit and Risk Committee meeting in April 2023 highlighted the following in relation to cyber security:

- Four members of staff have been registered on a new advanced cyber upskilling training course. This is to ensure the ICT team have the necessary skills to keep up to date with modern threats and arm them with capabilities to deal with any pending attack.
- The submission date for the board's next NIS audit is 31 October 2023 which comprises a full audit and preparation for this is underway already across the many areas included in the audit.

132. In relation to BCP, we identified that a standardised BCP template and database has been developed by the IT department to address key issues identified in relation to the board's arrangements (i.e. no ownership of plans, no updating or testing of plans and no standard format). Planned delivery of these and development of initial BCPs was December 2022/January 2023, with BCPs and related work to be completed by July 23. The database is intended to

provide the Board Management Team with visibility of the completeness of BCP arrangements across the organisation and identify any areas of weakness.

133. Through audit enquiry we identified that IT business continuity and disaster recovery arrangements in the case of a major disaster are to be dealt with within the scope of the BCP action cards (which currently outline key role and communication protocols). From review of these action cards, we identified that they do not provide detail on what is to be done in the case of a natural or human-induced disaster that results in lack of access or damage to premises/key IT infrastructure assets, or for instance lack of IT staff capacity. It is considered that the plans should be expanded to include consideration of these aspects.

Recommendation 6

The board should expand BCP action cards to include consideration of natural or human-induced disaster that results in lack of access or damage to premises/key IT infrastructure assets or lack of IT staff capacity.

134. We concluded that the board has adequate arrangements in place in relation to cyber security but there is scope for improvement in relation to BCP arrangements.

5. Use of resources to improve outcomes

Public sector 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.

Main judgements

Covid-19 has impacted significantly upon the board's activity and waiting times for services. The board's remobilisation plans evolved into a 2022/23 Annual Delivery Plan which includes series of actions designed to restore performance levels.

The board has recently developed its own performance management framework to support continuous improvement which should be introduced as soon as practicable.

Although officers have previously reported to members on the arrangements in place to secure Best Value, this needs to happen more regularly.

NHS Dumfries and Galloway's remobilisation plans evolved into a 2022/23 Annual Delivery Plan which includes series of actions designed to restore performance levels

135. Remobilisation plans for 2021/22 evolved into an Annual Delivery Plan for 2022/23, setting out realistic and achievable deliverables for the year. The board's Annual Delivery Plan for 2022/23 was approved at the meeting of the Board on 3 October 2022.

136. The board is required to provide quarterly progress updates on the delivery of the 2022/23 ADP to the Scottish Government. Quarterly progress update reports are also presented to the Performance and Resources Committee throughout the year which provide details of the achievements and challenges faced in relation to the delivery of the ADP and the progress against each deliverable. The Quarter 4 2022/23 ADP progress update report was presented to the Performance and Resources Committee in May 2023.

137. The Scottish Government confirmed previously that NHS boards RMPs would be replaced with a three-year integrated plan (Medium Term Plan). This will enable a more strategic approach to planning and support programmes of service transformation, aligned with the NHS Recovery Plan and the Care and Wellbeing Portfolio. These plans will be high level narratives setting out NHS Dumfries and Galloway's key priorities for recovery and transformation within this period, and how these contribute to national priorities.

138. These three-year plans will be underpinned by the board's ADPs and NHS Boards will be required to provide quarterly ADP updates to the Scottish Government. A report presented to the Performance and Resources Committee meeting in May 2023 provided an update on the development of the board's 2023/24 ADP and 2023-26 Medium Term Plan and highlighted that both are due for submission to the Scottish Government following approval by the Board on 12 June 2023.

The board has recently developed its own performance management framework to support continuous improvement which should be introduced as soon as practicable

139. We highlighted in our 2022/23 Annual Audit Plan that Internal Audit had issued a report to the April 2022 Audit and Risk Committee meeting in relation to performance reporting. The report identified several high-risk areas including a lack of an integrated performance management framework, regular performance reporting and inconsistency of reporting to Scottish Government. Following this, a draft Performance Management Framework (PMF) 2022-25 report was presented to the Performance and Resources Committee (PRC) in November 2022 for discussion. An updated version of the PMF 2022-25 was presented to the PRC in March 2023 for approval and to task officers with developing Key Performance Indicators (KPIs) and an interactive dashboard to highlight performance measures and outcomes to support the delivery of the PMF.

140. The report to the PRC in March 2023 highlighted that:

- in the Dumfries and Galloway integration model, the majority of health services are delegated to the IJB. Therefore, historically the board had worked to the IJB PMF. A new IJB PMF was agreed in March 2022, which focuses more on population health outcomes
- as a result of Internal Audit recommendations, a board specific PMF had been developed which will sit separately to the IJB's PMF and will focus more specifically on the running and operational delivery of health care services
- a proposal had been sent to the board's Modernising Our Business Intelligence (MOBI) group for support in developing a dashboard to support reporting against the PMF. There was a 16 week development cycle, which started mid-March 2023
- KPIs will be agreed that will support the delivery of the PMF. Key topic areas are set out in the PMF and these will be developed into a new 4 quadrant summary performance report.

141. The Governance Statement included in the board's 2022/23 Annual Accounts highlights that during 2023/24 a new webpage will be developed on the board's external website, which will include a link to the PMF and supporting performance evidence based on the four quadrant areas of "Quality", "Service", "People", "Finance".

Service performance against national waiting time standards is publicly reported

142. The Board is kept informed of performance across all areas. The detailed review and scrutiny of performance has been delegated to the PRC which meets quarterly. Summary service performance reports are presented to meetings of both the PRC and Board and provides an overview of operational performance for key performance indicators relating to the board's priorities as set out the ADP for 2022/23. The performance indicators reported against the ADP are set by the Scottish Government and include waiting times for accessing treatment such as the proportion of patients that were seen within 12 weeks, otherwise known as the Treatment Time Guarantee.

143. We concluded that the NHS Dumfries and Galloway has recently developed a revised performance management framework to help the board achieve value for money and support improvement in services which should be introduced as soon as practicable.

Covid-19 has impacted significantly upon the board's activity and waiting times for services

144. The 2022/23 annual report and accounts reports on the board's performance against its national waiting time standards. While these are not currently the board's primary focus for performance monitoring, they provide context for the scale of the impact of the pandemic of the delivery of health services. [Exhibit 5](#) (on page 41) demonstrates how activity and waiting times for acute services have continued to be impacted by Covid-19 and [Exhibit 6](#) (on page 42) provides a comparison of current waiting times compared to prior years.

145. The largest increases in [Exhibit 5](#) are in relation to waiting times, with the most significant being the number of people waiting longer than 12 weeks for a new outpatient appointment which has increased by 1,050 per cent from December 2019 to March 2023. The impact of increases in waiting times is reflected in [Exhibit 6](#) which shows the percentage of outpatients waiting less the 12 weeks has reduced from 94.6 per cent in March 2020 to 60.1 per cent in March 2023.

146. Summary service performance reports are presented regularly to the PRC and Board which are prepared by the board's Chief Operating Officer who is also the Chief Officer of the IJB. The reports provide an update on performance against national targets set by the Scottish Government and include waiting times for accessing treatment. Each performance indicator is reported in a red, amber and green format to show whether the target is met or exceeded, within 3 per cent of the target or the target is not being met.

Exhibit 5

Trends in demand and activity for acute services

Demand		% change
Number waiting for diagnostic tests	<p>Monthly Dec 2019 to March 2023</p> <p>2,024 3,233</p>	59.7%
Number of patients waiting for an inpatient or day case admission	<p>Quarterly Dec 2019 to March 2023</p> <p>2,362 4,320</p>	82.9%
Number of patients waiting for a new outpatient appointment	<p>Quarterly Dec 2019 to March 2023</p> <p>6,416 11,370</p>	77.2%
Activity		
Number of scheduled elective operations in theatre system	<p>Monthly Dec 2019 to March 2023</p> <p>1,395 1,268</p>	-9.1%
Number of inpatient and day case admissions	<p>Quarterly Dec 2019 to March 2023</p> <p>2,418 1,960</p>	-18.9%
Number of new outpatient appointments	<p>Quarterly Dec 2019 to March 2023</p> <p>9,202 8,463</p>	-8.0%
Length of waits		
Number waiting longer than 6 weeks for diagnostic tests	<p>Monthly Dec 2019 to March 2023</p> <p>109 564</p>	417.4%
Number of patients waiting longer than 12 weeks for an inpatient or day case admission	<p>Quarterly Dec 2019 to March 2023</p> <p>237 2,294</p>	867.9%
Number of patients waiting longer than 12 weeks for a new outpatient appointment	<p>Quarterly Dec 2019 to March 2023</p> <p>394 4,533</p>	1050.5%

Source: [Public Health Scotland](#)

Exhibit 6**Impact of Covid-19 on national waiting time standards**

Target/standard	Performance at March 2020	Performance at March 2021	Performance at March 2022	Performance at March 2023¹
Cancer 62 Days RTT Proportion of patients that started treatment within 62 days of referral	92%	87.7%	76.9%	83.5%
18 Weeks RTT Proportion of patients that started treatment within 18 weeks of referral	86%	73.2%	72.6%	69.7%
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day case that were seen within 12 weeks	72.7%	70.9%	54.2%	55.4%
Outpatients waiting less than 12 weeks Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral	94.6%	53.6%	60.8%	60.1%
A & E attendees Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours	96%	89.2%	83.7%	78.8%
Cancer 31 Days RTT Proportion of patients who started treatment within 31 days of decision to treat	99%	98.2%	97.5%	97.4%
Drug and Alcohol 21 Days Proportion of drug and alcohol patients that started treatment within 21 days	92.4%	95.3%	99.4%	95.9%
CAMHS Waiting Times Proportion of patients seen within 18 weeks of referral	87.2%	84.3%	91%	97.8%

Note. 1: Where March 2023 data is not yet available, the most recent validated data is used. Data for Cancer, Drug and Alcohol and CAMHS Waiting Times is at December 2022. Source: Public Health Scotland.

Source: [Public Health Scotland](#)

Although officers have previously reported to members on the arrangements in place to secure Best Value, this needs to happen more regularly

147. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) set out the accountable officer's duty to ensure that arrangements are in place to secure Best Value. The guidance sets out the key themes of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

148. In April 2023, Internal Audit issued a report which highlighted the findings from a review of the board's procurement arrangements. As part of the review, Internal Audit reviewed the 2021/22 Chief Executive Self-Assessment of Best Value that was carried out to understand the position of the Board with regards to best value maturity. The plan highlighted the need to implement a mid-year review of the best value template with the Board Management Team (BMT) and take the best value assessment through Audit and Risk Committee (ARC) during 2021/22. This wasn't carried out in 2021/22 as planned and the report highlighted that it hadn't been actioned in 2022/23 despite the action being rolled forward. The aim of the mid-year review was to provide the board leadership with assurance on their vision of how best value contributes to achieving effective outcomes for the organisation and that this has been communicated clearly in relevant corporate and operational documents.

149. As a result of the above, Internal Audit recommended that the mid-year review of the self-assessment of best value should be carried out and reported to the ARC. Management agreed that the mid-year review would be carried out and reported to the ARC by October 2023. The 2022/23 Chief Executive Self-Assessment of Best Value was reviewed and agreed at the BMT meeting on 14 June 2023. The self-assessment was included as an appendix to the Governance Statement presented to the ARC meeting on 26 June 2023. We will continue to review the board's arrangements to secure Best Value as part of our audit work in 2023/24.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Untaken holiday liability</p> <p>Our review of the board's approach to the calculation of the untaken holiday liability, identified that it was not fully in accordance with the relevant guidance. Changes were made but the board needs to ensure the untaken holiday liability is accurately disclosed in the board's financial statements.</p>	<p>The board should carry out a detailed review of its approach to the calculation of the untaken holiday liability for the 2023/24 annual report and accounts with reference to the relevant guidance.</p> <p>Exhibit 2</p>	<p>Noted, this will be actioned.</p> <p>Deputy Director of Finance</p> <p>March 2024</p>
<p>2. Accounting treatment for revaluation of land and buildings</p> <p>The board's annual accounts did not disclose the transfer from the revaluation reserve to the general fund to account for the realised element of the revaluation reserve, i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost. There is a risk that the board is unable to reduce the balance of the revaluation reserve accurately.</p>	<p>The fixed asset register (CARS) should be updated or a process implemented to assist in future calculations relating to revaluations and also for transfers to the general fund each year.</p> <p>Exhibit 2</p>	<p>Noted, consideration will be given to how this can be calculated and a process implemented.</p> <p>Deputy Director of Finance</p> <p>March 2024</p>
<p>3. Impairment review of equipment</p> <p>We identified that the board does not carry out a formal impairment assessment at 31</p>	<p>The board should introduce a process in relation to equipment to obtain positive confirmation from services as to the functionality of equipment at the year-end to</p>	<p>Noted, it will be unlikely given the volume of fixed assets the board manages that this will be done on an individual asset by asset basis, this will be built into the rolling</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>March each year in relation to equipment as set out in IAS36 – Impairment of Assets. Currently, an impairment is only recognised if the relevant service department within the board contacts the repairs team to inform them there is an issue with equipment.</p> <p>There is a risk that the value of equipment disclosed in the board’s annual accounts is misstated.</p>	<p>allow officers to assess for any indication of impairment.</p> <p>Exhibit 2</p>	<p>programme of asset verification.</p> <p>Deputy Director of Finance</p> <p>March 2024</p>
<p>4. Assets under construction</p> <p>We identified that, due to the cut-off date applied by officers for recognising when assets become operational (early February each year), a number of assets should have been transferred from the Assets Under Construction column to the relevant asset category column of the Property, Plant and Equipment note.</p> <p>There is a risk that the value of Assets Under Construction and other categories of assets disclosed in the board’s annual accounts are misstated.</p>	<p>The board should introduce a process to ensure that Assets Under Construction becoming operational are correctly classified in the board’s accounts in future.</p> <p>Exhibit 2</p>	<p>Noted, this will be considered as part of the overall review of capital expenditure within the finance department.</p> <p>Deputy Director of Finance</p> <p>March 2024</p>
<p>5. Budget monitoring reports</p> <p>Budget monitoring reports presented to the Performance and Resources Committee during 2022/23 only provided a high-level focus on reporting against the financial plan and managing the projected deficit. As a result of this focus and capacity issues, regular budget monitoring reports outlining</p>	<p>The board should enhance budget monitoring reports presented to the Performance and Resources Committee to include:</p> <ul style="list-style-type: none"> • more detailed explanations for variances against directorate budgets • remedial actions being taken to address variances 	<p>Reporting arrangements will be reviewed in 2023/24 with a view to providing further detail.</p> <p>Deputy Director of Finance</p> <p>September 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>directorate performance outturns against budgets have not been reported to the Performance and Resources Committee.</p> <p>There is a risk that the opportunity for more thorough scrutiny and challenge is missed.</p>	<ul style="list-style-type: none"> • a forecast of year end outturns against directorate budgets • reference to performance information to demonstrate the link between the budget position and performance. <p>This would allow for more challenge and scrutiny of the action to be taken to address variances against budget.</p> <p>Paragraph 45</p>	
<p>6. Business continuity planning</p> <p>IT business continuity and disaster recovery arrangements in the case of a major disaster are dealt with within the scope of the BCP action cards (which currently outline key role and communication protocols). However, these action cards do not provide detail on what is to be done in the case of a natural or human-induced disaster that results in lack of access or damage to premises/key IT infrastructure assets, or for instance lack of IT staff capacity.</p> <p>There is a risk that the board's disaster recovery plans are inadequate as they do not provide guidance on the action to be taken in the event of all known disasters.</p>	<p>The board should expand BCP action cards to include consideration of natural or human-induced disaster that results in lack of access or damage to premises/key IT infrastructure assets or lack of IT staff capacity.</p> <p>Paragraph 133</p>	<p>This recommendation is fully accepted. The process of building the new BCP database and engaging the organisation to this new recording solution is taking time due to operational priorities. The current aim is for the previous General Manager to lead the creation of the new database and its initial completion across all Corporate and Operational Departments.</p> <p>General Manager, ICT</p> <p>End of August 2023</p>

Follow-up of prior year recommendations made by Grant Thornton in the 2021/ 22 External Audit Report

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Valuation – Terms of Engagement</p> <p>Our auditor’s valuation expert reviewed NHS Dumfries and Galloway’s instructions to Avison Young as part of our audit procedures in relation to the valuation of the Board’s land, buildings and dwellings. Whilst our auditor’s valuation expert was comfortable that the valuer’s instructions had been agreed by NHS Dumfries and Galloway and Avison Young and that the instructions were in line with the RICS Global Red Book VPS 1 and are therefore considered appropriate, it was noted that the instructions did not confirm:</p> <ul style="list-style-type: none"> • which valuer would perform the valuation and did not confirm the valuer’s accreditation and whether or not the valuer was a member of RICS; and • the property addresses of the buildings to be valued <p>as this information was not specified in the Terms of Engagement.</p>	<p>All such details are included and confirmed within the Terms of Engagement going forward.</p> <p><u>Original Management Response:</u></p> <p>Noted, this contract is pulled off a national framework, and having used the valuers for a number of years, we are aware of the accreditation of the valuer however note this is not a formal notification. The properties to be valued is a long standing list which was provided to the valuers the first time we used them, this is then updated at the kick off meetings with the estates team, however a new list will be issued each year.</p> <p>Action owner: Kelly McClure, Divisional Finance Manager</p> <p>Timescale for implementation: December 2022</p>	<p>Complete</p> <p>The Financial Governance Quarterly Update Report presented to the Audit and Risk Committee meeting on 24 April 2023 included an update on the 2021/22 external audit recommendations. The report highlighted that the valuation documentation had been completed and included the required information included. All recommendations have been implemented and included use of the Crown Commercial Service order form template for 2022/23. The Crown Commercial Service is a UK government service which helps UK public sector bodies to save money when procuring common goods and services which is done using an order form template. As a result, the action is closed.</p>
<p>b/f 2. Financial Recovery Plan</p> <p>NHS Dumfries and Galloway’s 3 year Financial Plan recognises the financial pressures facing the Board. However, we note that it has been assumed that all Covid-19 costs and remobilisation costs will be fully funded for 2022/23 and therefore do not impact on the Financial Plan.</p>	<p>NHS Dumfries and Galloway should seek SG approval as soon as practicable in relation to the proposals set out within the 3 Year Financial Plan. If SG do not approve the Plan, NHS Dumfries and Galloway should work with SG to determine an agreed approach to returning the Board to recurring financial balance by alternative</p>	<p>Complete</p> <p>The Financial Governance Quarterly Update Report presented to the Audit and Risk Committee meeting on 24 April 2023 included an update on the 2021/22 external audit recommendations. The report highlighted that the board has been in dialogue with SG throughout the year and</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The Board has forecast these costs at £8.631 million of recurring costs and £7.143 million of non-recurring costs for 2022/23. We also note that amounts included within the plan do not consider the potential impact of increased inflationary pressures or impact of any potential industrial action which may happen going forward.</p> <p>At this time the Board are unable to provide a balanced financial position for the three year plan and have therefore estimated a non-recurring support requirement from Scottish Government (SG) of £20m for 2022/23 and an indicative £20m and £18m for years 2 and 3 respectively. We note that further funding may also be required if it is confirmed that Covid-19 recurring and non-recurring costs will not be funded by SG in 2022/23 onwards.</p> <p>The Plan has been approved by the Board and has been submitted to Scottish Government for their approval. The Board are currently awaiting a response from SG as to whether they deem the Plan to be appropriate and acceptable.</p>	<p>means. The break option on a property leased by the board which is no longer needed was missed and the board is now contractually liable for the full lease payments or a negotiated settlement.</p> <p><u>Original Management Response:</u></p> <p>There is and has been regular dialogue with Scottish Government, there is engagement at a national level including Chief Executive and DOF to consider the options for bridging the overall SG funding shortfall, not just the D&G position.</p> <p>Action owner: Director of Finance</p> <p>Timescale for implementation: July 2022</p>	<p>agreement has been reached on the 2022/23 brokerage requirement, the Board have delivered within the single year plan set out at beginning of the year. The 3 year plan for 2023/24 onwards has been submitted and the SG have wrote confirming the position the board is reflecting. As a result, the action is closed.</p>
<p>b/f 3. Internal Audit recommendations</p> <p>The Chief Internal Auditor concluded that there were adequate and effective internal controls throughout the year. We note however that as disclosed in the Governance Statement, 69%</p>	<p>Management should work with Internal Audit to ensure that these overdue actions are implemented, addressed and completed as soon as is practicable.</p> <p><u>Original Management Response:</u></p> <p>Noted, this will be progressed through the year now that</p>	<p>Complete</p> <p>The Financial Governance Quarterly Update Report presented to the Audit and Risk Committee meeting on 24 April 2023 included an update on the 2021/22 external audit recommendations. The report highlighted that</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>of all internal audit actions are currently overdue.</p>	<p>Covid emergency measures have been stepped down. This is discussed as part of every Audit and Risk Committee meeting.</p> <p>Action owner: Jeff Ace, Chief Executive</p> <p>Timescale for implementation: December 2022</p>	<p>implementation of audit recommendations is discussed and reviewed regularly through Audit and Risk Committee. More recently the process for review has been extended to all Board Committees to undertake a review of outstanding actions for specific audits as aligned to relevant committee. In addition, a meeting took place between the Chief Internal Auditor, Chief Executive and Director of Finance to review some of the older actions to agree a plan for resolving these and work is ongoing in this area. Significant progress has been made in the last month with a reduction in overdue actions from 137 to 95 at latest count. This will continue to be monitored through Board Management Team. Internal audit have also confirmed they have had a number of positive conversations with staff on a number of actions and expect more actions to be concluded over the coming month. As a result, the action is closed.</p>
<p>b/f 4. Procurement Strategy</p> <p>The NHS Dumfries and Galloway Procurement Strategy 2018/19 -2020/21 is available on the Board's website. As noted within, the aim of this strategy is to secure Best Value through planned and sustainable procurement which best meets the needs of the organisation and supports key objectives and to demonstrate a clear and</p>	<p>Given the changes in the Board since March 2020, good practice would suggest the strategy is reviewed and updated as soon as practicable.</p> <p><u>Original Management Response:</u></p> <p>Noted. The refresh of the strategy is on the procurement workplan having been delayed during Covid pandemic.</p>	<p>Ongoing (Target Date Not Yet Passed)</p> <p>The Financial Governance Quarterly Update Report presented to the Audit and Risk Committee meeting on 24 April 2023 included an update on the 2021/22 external audit recommendations. The report highlighted that work is underway to deliver to the July 2023 target date.</p>

Issue/risk	Recommendation	Agreed management action/timing
concise approach to NHS Dumfries & Galloway's procurement activities outlining what will be done and how and when it will be achieved over the period November 2017 to March 2020. We note that the Procurement Strategy was due to be reviewed in March 2020.	Action owner: Deputy Director of Finance Timescale for implementation: July 2023	

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £178 thousand.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 2](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
		Dr £000	Cr £000	Dr £000	Cr £000
Accounting Misstatements impacting on the RRL					
1. Untaken holiday liability understated	Holiday pay accrual				(262)
	Other operating expenditure	262			
2. Difference between the patient charges accrual for February and March 2023 as at the year end and the actual prescribing costs incurred by the board	Expenditure		(366)		
	Prescribing accrual			366	
3. Reversal of dilapidation provision recognised at 31 March 2023 as no constructive obligation exists	Other provisions			249	
	Other operating expenditure		(249)		
Overall impact		262	(615)	615	(262)

Statement of Financial Position misstatements with no impact on the financial outturn targets

1. Assets Under Construction – As noted in [Exhibit 2](#) we identified errors between Assets Under Construction and Property, Plant and Equipment in the note for 2021/22 balances brought forward of £0.680 million which have not been corrected.

2. Impairment Reversal – As noted in [Exhibit 2](#) the board has not corrected an impairment reversal of £3.104 million in relation to the reversal of an impairment loss which in our opinion has not been accounted for in International Accounting Standard (IAS) 36 – Impairment of Assets and the Capital Accounting Manual.

NHS Dumfries and Galloway

2022/23 Annual Audit Report

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