

# NHS Tayside

2022/23 Annual Audit Report



Prepared for the Board of NHS Tayside and the Auditor General for Scotland  
29 June 2023

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# Key messages

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## 2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 The existing contract for Carseview PFI expires in June 2026. A number of options are available to NHS Tayside at the end of the contract and a decision has to be taken by June 2024 as to which option will be exercised. The existing asset value of £12.7 million has an assumed life that exceeds the current contract term and this has not been adjusted for in the financial statements.

## Financial management and sustainability

- 3 NHS Tayside achieved a surplus of £0.1 million against its Revenue Resource Limit (RRL) of £1 billion, but after recognising financial flexibility of £9.6 million. Underspends totalling £9.6 million will be required across 2023/24 and 2024/25 to provide breakeven over the three-year flexibility period.
- 4 NHS Tayside has prepared a medium-term financial forecast, which identifies a cumulative funding gap of £181 million over the next 3 years. Detailed plans to bridge this gap have not been identified.

## Vision, leadership, governance and use of resources

- 5 Overall governance arrangements are appropriate, but NHS Tayside needs to develop a long-term strategic plan to support the delivery of its vision.
- 6 499 patients were affected by a loss of case records and the issue has been investigated.
- 7 Service performance reporting identifies that only 2 of 18 national measures are on track. Waiting times have deteriorated since Covid-19 and remobilisation activity has, so far, had a limited impact on this. However, in most areas the increases in waiting times are lower than the Scottish average over the same period, and performance against key waiting time standards is also better than the Scottish average against 6 of the 8 measures.
- 8 NHS Tayside has an appropriate and effective best value framework.

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# Introduction

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1. This report summarises the findings from the 2022/23 annual audit of NHS Tayside and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.
2. The scope of the audit was set out in an annual audit plan presented to the March meeting of the Audit and Risk Committee. This annual audit report comprises significant matters arising from the audit of NHS Tayside's annual report and accounts and conclusions on the wider scope areas, as set out in the [Code of Audit Practice 2021](#).
3. We would like to thank directors and staff, particularly those in finance, for their cooperation and assistance and we look forward to continuing to work together constructively over the course of the five-year appointment.

## Responsibilities and reporting

4. NHS Tayside has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing the annual report and accounts in accordance with the accounts direction from Scottish Ministers. NHS Tayside is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
5. The responsibilities of the independent appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000; the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. Weaknesses or risks identified in this report are only those which have come to our attention during our audit work and may not be all that exist. Communicating these does not absolve management of its responsibility to address the issues we raise and from maintaining adequate systems of control.

## Auditor Independence

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services. We are not aware of any relationships that could compromise our objectivity or our independence.

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# 1. 2022/23 annual report and accounts

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

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Audit opinions on the annual report and accounts are unmodified.

The existing contract for Carseview PFI expires in June 2026. A number of options are available to NHS Tayside at the end of the contract and a decision has to be taken by June 2024 as to which option will be exercised. The existing asset value has an assumed life that exceeds the current contract term and this has not been adjusted for in the financial statements.

Total unadjusted misstatements in the financial statements are £12 million and mainly related to the asset value adjustment on Carseview.

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## **Audit opinions on the annual report and accounts are unmodified**

8. The board approved the annual report and accounts for NHS Tayside and its group for the year ended 31 March 2023 on 29 June 2023. The independent auditor's report included the following audit opinions on the annual report and accounts:

- 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.

## The 2022/23 annual report and accounts were certified on 29 June 2023, in line with the agreed audit timetable

**9.** We received the unaudited annual report and accounts on 8 May 2023, in line with the agreed audit timetable. The accounts and working papers presented for audit were of a good standard and management and finance staff provided excellent support to the team during the audit process. This helped ensure that the final accounts audit was completed in line with the audit timetable and the 2022/23 annual report and accounts were certified on 29 June 2023.

## Our audit approach and testing was informed by the overall materiality level of £38 million

**10.** 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 impact the 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 and it is ultimately a matter of the auditor's professional judgement.

**11.** Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the group financial results reported in the audited 2021/22 annual report and accounts. These materiality levels were reported in our annual audit plan to the March 2023 meeting of the Audit and Risk Committee.

**12.** On receipt of the unaudited 2022/23 annual report and accounts we reconsidered our materiality levels based on the financial results for the year ended 31 March 2023, and decided the planned amounts were appropriate and didn't require revision. These are detailed in [Exhibit 1](#).

### Exhibit 1 Materiality values

| Materiality level       | Amount        |
|-------------------------|---------------|
| Overall materiality     | £38.0 million |
| Performance materiality | £22.8 million |
| Reporting threshold     | £0.25 million |

Source: Audit Scotland

**13.** 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 60 per cent of overall materiality, reflecting the scale of previous year's adjustments, the extent of estimation in the accounts and the planned testing in proportion to the scale of the organisation.

## Our audit identified and addressed the risks of material misstatement

**14.** [Exhibit 2](#) sets out the significant and non-significant risks of material misstatement to the financial statements. 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 2

#### Significant and non-significant risks of material misstatement

| Nature of risk  | Audit Response  | Conclusion  |
|---|---|---|
| <b>Significant risks of material misstatement</b>   |   |   |
| <p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></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> | <ul style="list-style-type: none"> <li>• Detailed testing of transactions and journals with a focus on significant risk areas, including year-end and post-close down entries.</li> <li>• Review of significant accounting estimates.</li> <li>• Focussed testing of accruals and prepayments.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> </ul> | <p>We reviewed the controls around journal entries and used data analytics to consider all journals and substantively test a sample of higher risk year end journals and a smaller sample of in year journals.</p> <p>We tested significant estimates including non-current assets valuations; clinical and medical negligence claims; accruals (including holiday pay) and PFI liabilities.</p> <p>We have not identified any significant transactions outside the normal course of business.</p> <p>We completed testing of a sample of accruals,</p> |

| Nature of risk | Audit Response | Conclusion  |
|----------------|----------------|---|
|                |                | <p>prepayments and post year-end payments.</p> <p>Our sample testing of PoP accruals found them to be valid.</p> <p>We identified some issues with:</p> <ul style="list-style-type: none"> <li>• the holiday pay accrual. (MA 69159). see <a href="#">Exhibit 3</a></li> <li>• Carseview PFI (MA 68593) see <a href="#">Exhibit 3</a></li> <li>• future inflation rate assumptions on PFI schemes (MA 68829). see <a href="#">Exhibit 3</a></li> <li>• research grant omitted from 2022/23 accounts (MA 69024) see <a href="#">Exhibit 3</a></li> </ul> |

#### Other risks of material misstatement

##### 2. IFRS 16 lease accounting entries

*International Financial Reporting Standard 16 - Leases* is effective for accounting periods starting from 1 April 2022.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. NHS Scotland has elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed.

The standard is expected to increase total expenditure in 2022/23 by £0.4 million, and right-of-use assets totalling

- Review list of leases to assess for completeness.
- Sample testing of lease agreements to ensure they have been correctly assessed and accounted for in the 2022/23 financial statements.

We reviewed the arrangements for establishing the existence and extent of lease arrangements.

A sample was tested from the total of 36 leases/ assets totalling £39 million. We recalculated the lease assets and liabilities and did not identify any significant issues.



| Nature of risk   | Audit Response  | Conclusion  |
|--|---|---|
| <p>£54.0 million will also be brought onto the Statement of Financial Position, with an associated lease liability of £51.7 million.</p> <p>There is a risk that NHS Tayside's 2022/23 financial statements do not accurately reflect the impact of the new IFRS 16 accounting arrangements.</p>   |   |   |
| <p><b>3. Accounting treatment of Covid-19 reserves clawback from IJBs by Scottish Government</b></p> <p>In February 2023, NHS Tayside was advised that its annual revenue resource funding would be reduced for the unspent Covid-19 reserve balances that the Scottish Government has clawed back from IJBs. This is expected to result in a £32 million reduction in the board's RRL for 2022/23 (£12 million from Angus IJB, £10 million from Dundee City IJB, and £10 million from Perth &amp; Kinross IJB).</p> <p>This reduction will be reflected in reduced contributions to each IJB of the same value.</p> <p>The amounts were determined on period 8 expenditure and may be further adjusted as a result of actual Covid-19 expenditure in 2023.</p> <p>It will be important that NHS Tayside and the three IJBs account for this on a consistent basis. A further consideration is that where the IJB reserves</p> | <ul style="list-style-type: none"> <li>• Verify clawback values to IJB unaudited accounts, budget monitoring reports or schedules prepared by the 3 IJBs.</li> <li>• Review accounting treatment against accounting requirements agreed with Scottish Government and confirm this is adequately disclosed in NHS Tayside's 2022/23 annual report and accounts.</li> </ul> | <p>We reviewed outturn data from each of the IJBs and identified that Perth &amp; Kinross IJB had not spent its projected Covid-19 expenditure in 2022/23. The total underspend was £0.642 million.</p> <p>The Scottish Government confirmed that it had no plans to further amend allocations for 2022/23 and that the IJB was to carry this unspent balance forward into 2023/24 in an earmarked reserve.</p> <p>We accepted that, any further adjustment would be to 2023/24 funding and NHS Tayside's 2022/23 accounts were unaffected.</p> |

| Nature of risk   | Audit Response | Conclusion |
|--|----------------|------------|
| balance is held by the relevant local authority then a payment from the council to NHS Tayside will be required to release the cash funds back to the board. |                |            |

Source: Audit Scotland

## We report significant findings from the audit

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

**16.** The significant findings are summarised in [Exhibit 3](#). Our audit also identified other presentation and disclosure issues which were discussed with management. These were all adjusted in the audited annual report and accounts and none were significant enough to require to be separately reported under ISA 260.

## Exhibit 3

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

| Issue   | Resolution   |
|---|--|
| <p><b>1. Carseview PFI scheme – end of agreement arrangements (MA 68593)</b></p> <p>The existing contract for Carseview PFI expires on 11 June 2026. A number of options are available to NHS Tayside at the end of the contract and a decision has to be taken by 11 June 2024 (23rd anniversary of contract commencement date) as to which of the following options will be exercised:</p> <ul style="list-style-type: none"> <li>• allow the agreement to expire on 11 June 2026,</li> <li>• negotiate an extension of the agreement,</li> <li>• invite tenders for a new contract,</li> <li>• purchase the equipment and ground lease.</li> </ul> <p>Our review identified that the assets at Carseview had been included in the unaudited accounts at its full value of £12.7 million with an expected life of 45 years, rather than only recognising the economic benefit to NHS Tayside over the contract term of 25 years.</p> <p>Had the economic benefit of the associated asset over the contract life been recognised, and depreciated over that period, then the residual value of the asset at 31 March 2023 would be £1.4 million (£11.3 million less than the carrying value included in the financial statements).</p> | <p>We agreed that the issue should be disclosed as a contingent liability in the accounts, as a decision might involve purchasing or leasing the assets.</p> <p>The accelerated depreciation adjustment has not been adjusted in the audited financial statements and we note this is an unadjusted misstatement.</p> <p><b>Recommendation 1</b><br/>(<a href="#">Appendix 1</a>, action plan)</p> |
| <p><b>2. Amendment to PFI obligations (MA 68829)</b></p> <p>Our review of PFI and other concession arrangements included looking at the financial models which are used to estimate future liabilities under these contracts.</p> <p>We noted that the assumed indexation rate used in these models decreased from 2024/25. We agreed that the elements of each of these agreements that are updated for inflation should be uplifted by 2.5 per cent each year.</p> <p>This resulted in a £24.6 million movement between the principal and interest elements of future years lease payments.</p>   | <p>Management has corrected this misstatement in the audited financial statements.</p> <p>As this was a classification error between the principal and interest elements of future lease payments, it has a nil impact on the overall PFI liability figure in the Statement of Financial Position.</p>   |

| Issue   | Resolution   |
|---|--|
| <p><b>3. Post-audit change for junior doctors pay award (MA 68810)</b></p> <p>It was announced on 22 May 2023 that junior doctors in Scotland have been offered an additional pay award for 2022/23. The government has said that if it was accepted, there would be an additional 3 per cent on top of the 4.5 per cent pay award already agreed for 2022/23. This results in a total pay award for 2022/23 of 7.5 per cent. We understand that this would result in additional costs for NHS Tayside of around £0.7 million for 2022/23.</p> <p>The offer has not been accepted, but we believe this represents a constructive obligation to settle. The Scottish Government had already given a commitment to all NHS bodies that the impact of any pay awards would be fully funded in 2022/23 so any new additional accrual would be offset by an additional debtor for funding from the SG.</p> | <p>We agreed that the amount is not material and does not require adjustment in the audited financial statements for 2022/23. As noted, the expectation is that this would be fully funded by the Scottish Government, so would have no net impact on the overall financial position of NHS Tayside.</p>   |
| <p><b>4. Holiday Pay Accrual (MA 69159)</b></p> <p>The total holiday pay accrual is £7.7 million and should be based on estimated annual leave balances at 31 March 2023.</p> <p>The total annual leave days, used as a key input to the estimate, has not been updated in 2022/23. No assessment has been collated of outstanding leave as at 31 March 2023 due to clinical priorities and pressures. The number of hours is based on a 2021/22 annual leave assessment.</p> <p>Also, the basis of the estimate has changed and is now using whole time equivalent (WTE) staff numbers rather than head count to determine the number of days leave.</p> <p>Although headcount is still being used for Agenda for Change staff and this has reduced from 13,015 to 12,503.</p> <p>The holiday pay accrual has decreased by £2.6 million in 2022/23.</p>  | <p>We considered whether the changes in the estimation were reasonable and concluded that these were unlikely to lead to a material misstatement. We also considered that the use of WTE data is likely to lead to a more accurate estimate.</p> <p>However, the use of outdated leave data needs to be addressed in 2023/24 and the basis of WTE/Headcount standardised.</p> <p><b>Recommendation 2</b><br/>(refer <a href="#">Appendix 1</a>, action plan)</p> |

| Issue  | Resolution   |
|--|--|
| <p><b>5. Research grant omitted from 2022/23 accounts (MA 69024)</b></p> <p>Our year-end cut-off testing identified a £0.5 million grant for diabetes research received in April 2023 that related to 2022/23 but had not been accrued. As the expenditure incurred had also not been accrued, both income and expenditure had been understated by £0.5 million in the unaudited financial statements.</p> | <p>Management has corrected this misstatement in the audited financial statements.</p> <p>As both income and expenditure have increased by £0.5 million this adjustment did not impact on the net expenditure for the year reported in the Statement of Comprehensive Net Expenditure.</p> |

Source: Audit Scotland

## Total unadjusted misstatements in the financial statements are £12 million and mainly related to the asset value adjustment on Carseview

**17.** 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.

**18.** Total misstatements identified were £37.1 million which exceeds our performance materiality threshold. We considered whether further audit procedures were required and reviewed the nature and causes of these misstatements, which mainly relate to accounting for PFI assets (£35.9 million relates to issues 1 and 2 in [Exhibit 3](#)). We have concluded that most arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We considered whether other misstatements presented material risks of misstatement in the relevant account area and concluded they did not.

**19.** Total unadjusted misstatements were £12.0 million. This mainly related to the £11.3 million accelerated depreciation on Carseview, where a decision has not yet been made on the future of the PFI project, and where the current position should assume that the assets under the contract will be fully used by the end of the 25 year term of the contract, unless residual payments are made to secure the assets or the asset continues to be leased. The uncorrected misstatements are included in [Exhibit 3](#).

## There is good progress in implementing prior year recommendations

**20.** The previous external auditors made five recommendations in the 2021/22 annual audit report. NHS Tayside has made good progress implementing these during 2022/23, with 4 of 5 actions complete. Details are set out in [Appendix 1](#).

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## 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.

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NHS Tayside achieved a surplus of £0.1 million against its Revenue Resource Limit (RRL) of £1 billion, but after recognising financial flexibility of £9.6 million. Underspends totalling £9.6 million will be required across 2023/24 and 2024/25 to provide breakeven over the three-year flexibility period.

The initial budget for 2022/23 included an unmet financial gap of £19.6 million which was managed down to £9.5 million by the year-end.

NHS Tayside had appropriate budget arrangements and key financial controls operated effectively during 2022/23.

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### **NHS Tayside achieved a surplus of £0.1 million against its Revenue Resource Limit (RRL) of £1.040 billion, but with financial flexibility of £9.6 million**

**21.** The Scottish Government Health and Social Care Directorate (SGHSCD) sets annual resource limits and cash requirements. In each year, NHS Boards have 1 per cent flexibility on their annual resource budget to allow scope to marginally under or over-spend. Boards are expected to balance any marginal under/ over-spends within a three-year framework.

**22.** [Exhibit 4](#) shows that NHS Tayside required additional financial flexibility of £9.6 million to achieve a surplus of £0.1 million against its final revenue resource limit for 2022/23. This £9.6 million (equivalent to 0.9 per cent) is within the 1 per cent flexibility afforded to health boards by the three-year financial planning, but requires to be managed to deliver an overall breakeven position over the three-year period to 2024/25. Therefore, NHS Tayside will require to deliver underspends totalling £9.6 million during 2023/24 and 2024/25.

**Exhibit 4**

**NHS Tayside operated within its Revenue Resource Limit (RRL) of £1.040 billion, but with financial flexibility of £9.6 million**

| <b>Performance against resource limits set by SGHSCD</b> | <b>Resource Limit</b> | <b>Actual</b>  | <b>Under / (Over)</b> |
|--|-----------------------|----------------|-----------------------|
|  | <b>£m</b>             | <b>£m</b>      | <b>£m</b>             |
| <i>Original Core Revenue Resource Limit</i>              | 1,030.3               | 1,039.8        | (9.5)                 |
| <i>In-year financial flexibility provided by SGHSCD</i>  | 9.6                   | 0.0            | 9.6                   |
| Final Core revenue resource limit                        | 1,039.9               | 1,039.8        | 0.1                   |
| Non-core revenue resource limit                          | 43.8                  | 43.8           | 0.0                   |
| <b>Total revenue resource limit</b>                      | <b>1,083.7</b>        | <b>1,083.6</b> | <b>0.1</b>            |
| Core capital resource limit                              | 23.2                  | 23.1           | 0.1                   |
| Non-core capital resource limit                          | 1.3                   | 1.3            | 0.0                   |
| <b>Total capital resource limit</b>                      | <b>25.2</b>           | <b>25.1</b>    | <b>0.1</b>            |
| <b>Cash requirement</b>                                  | <b>1,198.9</b>        | <b>1,198.9</b> | <b>0.0</b>            |

Source: NHS Tayside annual report and accounts 2022/23

### **Efficiency savings totalling £23.4 million were achieved during 2022/23, with £4.4 million (19 per cent) on a recurring basis**

**23.** As detailed at paragraph [28.](#), NHS Tayside's one-year Revenue Plan 2022/23 included identified savings of £23.4 million, of which £4.8 million (20 per cent) were recurring savings. The recurring performance target was set low in 2022/23, to recognise that it would take time to develop and implement recurring savings plans. However, this low level of recurring savings increases the pressure to find savings in future years.

**24.** The £23.4 million targeted savings were delivered in full during 2022/23 with £4.4 million (19 per cent) delivered on a recurring basis.



## **The Scottish Government reduced NHS Tayside's funding by £31.7 million in 2022/23 to reflect the recovery of unspent Covid-19 funding from the three IJBs during the year**

**25.** NHS Tayside delegates responsibility for a specified range of health and social care services to the three IJBs in its area covering Angus, Dundee City and Perth and Kinross and passes the budgets to these IJBs. The budget is amended throughout the year to reflect additional funding received by NHS Tayside 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.

**26.** In February 2023, NHS Tayside was advised that its annual revenue resource funding would be reduced for the unspent Covid-19 reserve balances as the Scottish Government was recovering unspent Covid-19 funding from IJBs. This resulted in a £31.7 million reduction in the RRL for 2022/23 (£12.6 million from Angus IJB, £9.5 million from Dundee City IJB, and £9.5 million from Perth and Kinross IJB).

**27.** The outturn position has been agreed to the IJBs and is reflected in the 50 per cent share of the IJB results included in NHS Tayside's group, as a joint venture with the relevant councils.

## **The initial budget for 2022/23 included an unmet financial gap of £19.6 million which was managed down to £9.6 million by the year-end**

**28.** NHS Tayside's one-year Revenue Plan 2022/23 was approved by the Board on 28 April 2022. The plan identified a financial gap of £51.2 million but noted that additional funding had been requested from the Scottish Government of £8.2 million. This reduced the gap to £43.0 million. It also included identified savings of £23.4 million, leaving an unmet financial gap of £19.6 million at the start of 2022/23.

**29.** As shown in [Exhibit 4](#), Tayside reported an overspend of £9.6 million against its original RRL for 2022/23.

## **NHS Tayside had appropriate budget setting and monitoring arrangements in place during 2022/23**

**30.** During 2022/23 budget monitoring reports were taken to each meeting of the Performance and Resources Committee and the Board to report on any budget revisions during the year, expenditure against the phased budget for the year, and the projected outturn for the year. The reports also highlighted any other key issues for Board members attention received including the delivery of savings plan and any risks to the delivery of the financial plan.



**31.** Based on our review of the 2022/23 budget setting process, and the arrangements in place to monitor and report on the financial position throughout the year, we have concluded that NHS Tayside had appropriate budget setting and monitoring arrangements in place.

### **NHS Tayside's capital expenditure reduced from £30.8 million in 2021/22 to £23.2 million in 2022/23**

**32.** Within the accounts, Note 7d shows that capital expenditure has fallen from the prior year with gross capital expenditure of £23.2 million in 2022/23, compared to £30.8 million in 2021/22. This reflects the reduction in NHS Tayside's core capital resource limit of 25 per cent, and reductions in capital allocations of around 20 per cent for territorial health boards across Scotland during 2022/23.

**33.** NHS Tayside's gross capital expenditure in 2022/23 represented 3.6 per cent of the total value of property plant and equipment, other right of use assets, and intangible assets at 31 March 2023 of £641 million, which equates to investment to replace assets every 28 years.

### **The key financial controls operated effectively during 2022/23**

**34.** As required by Audit Scotland's Code of Audit Practice, as part of our audit we identified and evaluated the key internal controls in the accounting systems significant to the production of NHS Tayside's financial statements. Our objective was to gain assurance that it has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**35.** We concluded that the key controls in the main financial systems were generally operating as specified. However, we did identify two areas where controls could be strengthened, or the audit trail retained could be improved, shown in [Exhibit 5](#). We adapted our approach to auditing payroll to reflect the control weaknesses identified. Management responses to the two recommendations shown are included at [Appendix 1](#).

## Exhibit 5

### We identified two areas where controls could be strengthened

| Audit finding  | Additional audit procedures and recommendation   |
|--|--|
| <p><b>1. Verification of employees</b></p> <p>As reported in 2020/21 and 2021/22, although management has advised that processes are in place to regularly verify the existence of employees on the payroll system, no robust audit trail is maintained to enable us to test the operation of this control.</p>                    | <p>We undertook testing to verify the existence of a random sample of 30 employees from across the organisation. We also tested a sample of new starts, leavers and changes during the year to confirm these had been actioned correctly. In addition, we also recalculated the pay and deductions of a sample of employees to ensure they had been paid the correct amount. This testing did not identify any issues.</p> <p><b>Management should review the staff verification process to ensure a robust audit trail is maintained evidencing that this has been performed and any issues identified and investigated.</b></p> <p><b>Recommendation 3</b></p> |
| <p><b>2. Payroll user access</b></p> <p>For operational reasons a small number of staff within the Payroll Services Team have “write” access to both the Scottish Standard Time System (SSTS) and the ePayroll system. Management advised that no formal process is currently in place to review user access to these systems.</p> | <p>We concluded this did not present a risk of material misstatement to the 2022/23 financial statements and did not amend our planned audit approach.</p> <p><b>A process should be introduced to periodically review user access to the SSTS and ePayroll systems to ensure it is limited to those staff who require it.</b></p> <p><b>Recommendation 4</b></p>  |

Source: Audit Scotland

## There were no significant issues with providers of key financial systems

**36.** A part of our overall audit approach we rely on assurances from key service providers. This includes:

- NHS National Services Scotland (NSS) provision of primary care payments and the national IT contract
- NHS Ayrshire & Arran provision of the National Single Instance eFinancials service

- NHS Tayside uprating of annual pay awards in the E-payroll system hosted by NHS National Services Scotland.

**37.** We considered the evidence from service auditor’s assurance reports and other auditor assurances for 2022/23 and identified two issues which are detailed below, which did not significantly affect NHS Tayside.

- **The National Single Instance eFinancials service report.** The service auditor reported that: *“the eFinancials system was updated from version 5 to version 6 between Friday 20 and Monday 23 January 2023, issues have emerged when the system went live and multiple users were accessing the system concurrently. Following the migration to eFin v6, the system became unstable when a number of users access DBCapture concurrently... (with).. significant disruption to accounts payable service and as a result there had been delays in paying suppliers and document images are not saved into the Finance System when invoices are paid through this method. The level of disruption experienced has varied across Boards, partly due to when the decision was taken locally to revert to paying invoices manually”.* **At NHS Tayside this did not cause any significant issues**
- **The National Single Instance eFinancials service report.** The service auditor acknowledged a gap in the current service audit arrangements at the body: *“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, backup of financial ledger data and disaster recovery arrangements are outside the scope of the service report”.* NHS NSS confirmed that specific assurance for general IT controls relates to payroll and practitioner services and not to the general ledger. **This issue did not lead to an audit risk for the 2022/23 accounts, however we view this as a Scotland-wide governance issue which the wider NHS is seeking to resolve**

**38.** We considered the evidence from service auditor’s assurance reports and other auditor assurances for 2022/23 and did not identify any significant risks of material misstatement within the financial statements arising from these services.

## **Standards of conduct for prevention and detection of fraud and error are appropriate**

**39.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**40.** NHS Tayside is responsible for having arrangements to prevent and detect fraud, error and irregularities, bribery and corruption. It is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place. Our conclusion is that NHS Tayside has adequate arrangements in place to prevent and detect fraud or other irregularities. This is based on our review of:

- control arrangements
- overall policies and procedures, including codes of conduct for members and officers
- internal audit reports
- Counter Fraud Service Reports
- post payment verification reporting.

**41.** Scottish boards also participate in the National Fraud Initiative (NFI) in Scotland which is a counter-fraud exercise coordinated by Audit Scotland which aims to prevent and detect fraud. NHS Tayside has well established arrangements for investigating matches and reporting outcomes identified by the NFI exercise.

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## 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.

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Core revenue funding to NHS Tayside has decreased from last year in real terms by 9 per cent.

NHS Tayside has prepared a medium-term financial forecast, which identifies a cumulative funding gap of £181 million over the next 3 years. Detailed plans to bridge this have not been identified.

The Carseview Centre PFI contract expires in June 2026 and a decision as to which option will be exercised at the end of the contract needs to be taken over the next 12 months.

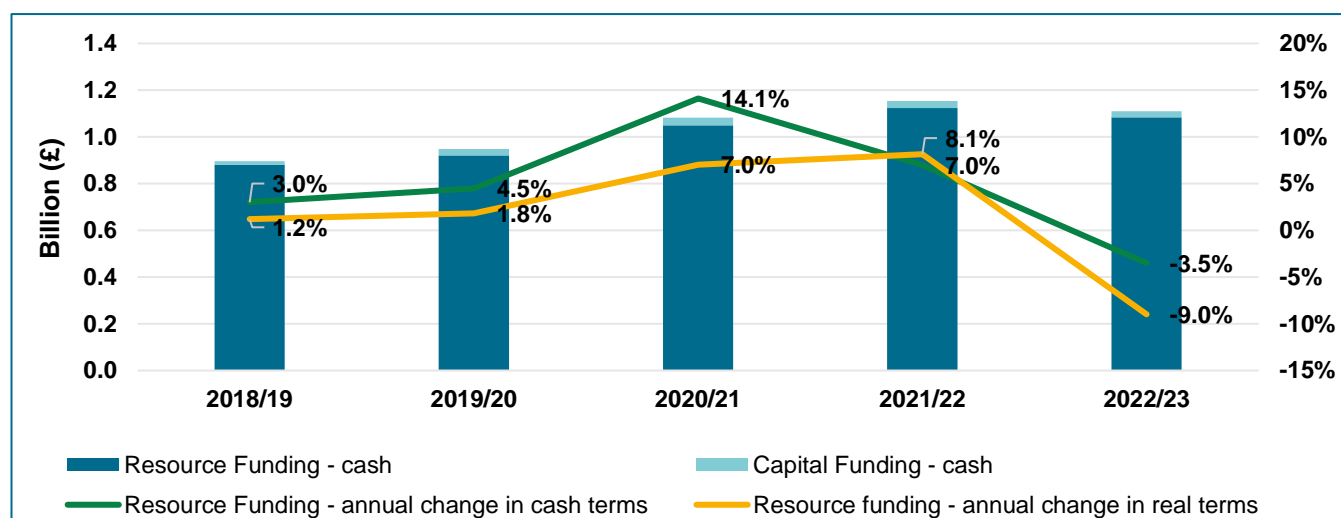
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### **Core revenue funding to NHS Tayside has decreased from last year in real terms by 9 per cent**

42. As highlighted in Audit Scotland's [NHS in Scotland 2022](#) report, the financial position is concerning across the health sector. As shown in [Exhibit 6](#), revenue funding to NHS Tayside reduced in cash terms by 3.5 per cent, and in real terms by 9.0 per cent, compared to last year. However, the previous two years (2020/21 and 2021/22) included significant amounts of Covid-19 funding and the real terms funding in 2022/23 is 5.3 per cent higher than 3 years ago (pre-Covid).

**Exhibit 6**

**Revenue funding reduced in cash terms by 3.5 per cent, and in real terms by 9.0 per cent, compared to last year**



Source: NHS Tayside accounts / [GDP deflator at March 2023](#)

## NHS Tayside has prepared a medium-term financial forecast

**43.** The [NHS in Scotland 2022](#) report highlighted that the NHS in Scotland faces significant and growing financial pressures. These include inflation; recurring pay pressures; ongoing Covid-19 related costs; rising energy costs; a growing capital maintenance backlog; and the need to fund the proposed National Care Service.

**44.** The Board approved the draft Three Year Revenue Financial Plan 2023/24 to 2025/26 on 27 April 2023, noting that due to the scale of the financial challenge facing NHS Tayside it was not in a position to deliver a balanced financial plan for 2023/24 at that stage.

**The current forecast identifies a cumulative funding gap of £181 million over the next 3 years. Detailed plans to bridge this have not been identified.**

**45.** NHS Tayside's draft Three Year Revenue Financial Plan 2023/24 to 2025/26 identifies a budget gap of £57 million for 2023/24 after the delivery of a £30 million savings plan, with projected budget gaps of £61 million in 2024/25, and £63 million in 2025/26. This results in a cumulative funding gap over the next 3 years of £181 million. In addition, NHS Tayside are also required to deliver underspends totalling £9.5 million during 2023/24 and 2024/25 (paragraphs [21.](#) and [21.](#)) to accommodate the financial flexibility used in 2022/23.

**46.** Management are considering all available options to close the £57.2 million budget gap for 2023/24. This includes engagement with regional and national networks, and with the Scottish Government, to identify and implement further opportunities for efficiency savings.

**47.** The Scottish Government's response to the NHS Tayside's draft Financial Plan submission acknowledged the position outlined for 2023/24, and asked for a revised Finance Plan by 30 June 2023, and to undertake the following actions:

- Continued development of a Recovery Plan.
- Develop a plan to deliver 3 per cent savings in 2023/24 and to develop options to meet unidentified or high risk savings balance.
- Develop other measures to be taken to further reduce the financial gap.
- Undertake a diagnosis of the key underlying drivers of the deficit and specific risks as presented within the financial plan, and the reasons for the significant change from the position in 2022/23.
- Assess costs reductions to be implemented to reduce the pressures in planned and unscheduled care service provision.

**48.** The Director of Finance has commissioned a Financial Recovery Team to oversee the development and implementation of the structured workstream programme set up to deliver the 3 per cent recurring savings target set by the Scottish Government, and to develop further measures to reduce the gap. Progress with this will be monitored through the board's Business Critical Group, led by the Chief Executive, and reported to the Performance and Resources Committee throughout the year.

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## Recommendation 5

Detailed financial plans should be developed to manage the medium term financial position.

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### The 5-year capital plan includes £338 million of expenditure

**49.** NHS Tayside's draft Five Year Capital Plan covering the period 2023/24 to 2027/28 was approved by the Board on 27 April 2023. This sets out the board's priorities for managing the infrastructure that will support the delivery of patient care and associated services across NHS Tayside. The plan focusses on 4 main areas:

- Investment in infrastructure consistent with NHS Tayside's strategic health priorities.

- Reduction in high and significant risk backlog maintenance and compliance with statutory requirements.
- Replacement of essential equipment.
- Disposal of assets declared surplus to requirements.

**50.** The plan sets out projects totalling £338 million over the next 5 years, including expenditure of £28 million during 2023/24. The 5-year plan is to be funded through a combination of the board's annual capital resource allocations (£50 million), project specific allocations (£279 million), targeted funding from the Scottish Government (£1 million) and revenue funding earmarked for non-added value capital spend (£8 million).

**51.** The planned capital programme includes significant investment in the asset base and key infrastructure projects up to 2028, including:

- A new national treatment and diagnostic centre to improve access to elective care (£129 million between 2024/25 to 2027/28)
- Cancer centre expenditure as part of the national radiotherapy replacement programme (£27 million between 2024/25 to 2027/28)
- Shaping critical care expenditure (£21 million between 2024/25 to 2027/28)
- Thrombectomy imaging facilities (£13 million between 2023/24 to 2025/26)
- Backlog maintenance to the electrical infrastructure at Ninewells Hospital and Perth Royal Infirmary (£63 million across the full 5-year capital plan).

**52.** The successful management and delivery of the projects within the 5-year capital plan will be key to the board delivering sustainable services in the future. However, there is a risk that the anticipated level of capital funding from the Scottish Government for future years may not be available. Cost pressures in the construction industry may also present a challenge.

### **The Carseview Centre PFI contract expires in June 2026 and a decision as to which option will be exercised at the end of the contract needs to be taken over the next 12 months**

**53.** The Carseview Centre is located on the Ninewells Hospital site in Dundee and provides in-patient facilities for Adult Psychiatry and Learning Disability. The centre was built under a PFI contract that commenced on 11 June 2001. The contract end date is 11 June 2026, but NHS Tayside must provide written notice by 11 June 2024 (23rd anniversary of contract commencement date) as to which of the following end of contract options it will exercise:



- allow the agreement to expire on 11 June 2026
- negotiate an extension of the agreement
- invite tenders for a new contract, or
- purchase the equipment and ground lease.

**54.** NHS Tayside are in discussion with the Scottish Government on funding arrangements but no decision has yet been reached as to what option will be taken.

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## **Recommendation 1**

NHS Tayside should review its accounting for the Carseview asset and PFI contract during 2023/24 to ensure it accurately reflects the decision taken as to which option will be exercised at the end of the contract.

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# 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.

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Overall governance arrangements are appropriate.

NHS Tayside needs to develop a long-term strategic plan to support the delivery of its vision.

499 patients were affected by a loss of case records and the issue has been investigated.

A Mental Health and Learning Disability Improvement Plan has been developed and the action plan approved in March 2023.

NHS Tayside intends to achieve net zero by 2040 and has developed key performance indicators to monitor and report its progress.

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## **NHS Tayside needs to develop a long-term strategic plan to support the delivery of its vision**

**55.** NHS Tayside's vision is to ensure "everyone has the best care experience possible". This is supported by its aim to "be the best at getting better" and its 4 key values:

- care and compassion
- dignity and respect
- openness, honesty and responsibility
- quality and teamwork.

**56.** Following the Covid-19 pandemic, boards have been required to prepare annual delivery plans setting out how they will respond to national priorities and local challenges in recent years. As NHS Tayside attempts to recover from the pandemic it will be important that it develops a longer-term strategic plan to support the delivery of its vision.

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## **Recommendation 6**

**A long-term strategic plan should be developed to support the delivery of NHS Tayside's vision.**

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### **Overall governance arrangements are appropriate**

**57.** NHS Tayside's governance arrangements have been set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

### **499 patients were affected by a loss of case records and the issue has been investigated.**

**58.** There is ongoing dialogue with the Information Commissioner's Office (ICO) over a data breach reported in 2021/22, involving the loss of 499 case records identified from Health Records In-Transit Reports over the period 9 January, 2018 and 5 August, 2021.

**59.** In January 2022, internal audit reported to the Audit and Risk Committee on its review of the circumstances around the loss of sensitive patient case records over 2020 and 2021 and highlighted weaknesses in the controls in place over the transfer of sensitive patient case records. The review also identified wider issues in the arrangements in place to respond to such incidents, including the process to identify and escalate the incidents.

**60.** An Oversight Group, co-chaired by the Board Secretary and Director of Digital Technology, was established to ensure the issues identified in the report are addressed and reported to the Audit and Risk Committee.

**61.** The Medical Director also commissioned a Significant Adverse Event Review (SAER) to determine the extent and nature of clinical information lost and whether the loss was to the detriment of ongoing patient care, to determine whether information could be recovered from other sources and decide if the Duty of Candour applies. The Clinical Lead for Emergency Medicine was appointed as the Independent Reviewer and the Head of Health Records was the Service Reviewer for the SAER.

**62.** The review concluded that the Duty of Candour did apply and that the patients affected should be informed that their records had been lost.

**63.** The loss of a large number of sensitive patient case records represented a significant information governance failure, and appropriate disclosures have been included in the Governance Statement in NHS Tayside's 2022/23 annual report and accounts.

### **A Mental Health and Learning Disability Improvement Plan has been developed and the action plan approved in March 2023**

**64.** The final report of the Independent Oversight and Assurance Group (IOAG) on Tayside's Mental Health Services was published on Wednesday 11 January, 2023. The final report followed a 12-month period of engagement with a range of key stakeholders across Tayside. The IOAG's remit was to provide independent assurance to the Minister for Mental Wellbeing and Social Care about progress being made in relation to 49 recommendations made within Trust and Respect, the report of the Independent Inquiry into Mental Health Services in Tayside, Dr David Strang, published in February 2020.

**65.** The IOAG report set out six priority areas for improvement, which correspond closely to the reprioritisation of the Living Life Well workstreams which has been carried out. The Minister for Mental Health and Social Care requested a detailed action plan which sets out how these priorities will be addressed. The Mental Health and Learning Disability Improvement Plan has been developed in response to the Minister's request. A draft was prepared by end of February 2023, and following consideration by a number of important groups and stakeholders, the action plan was presented to, and approved by, the three IJBs and NHS Tayside Board in March 2023.

### **We identified two areas where cyber security arrangements could be strengthened**

**66.** We undertook a wider review of ICT systems, which included NHS Tayside's arrangements for managing and mitigating cyber security risks.

**67.** Our overall conclusion was that NHS Tayside has adequate cyber security arrangements in place but our work identified two areas where arrangements could be strengthened. We have not reproduced these here in a public document due to their sensitive nature.

### **An audit of the Network and Information Systems will be reported in 2023/24**

**68.** The Network and Information Systems (NIS) Regulations came into force in May 2018. The NIS Regulations set out standards with which NHS Tayside, as an Operator of Essential Services, must comply. These standards cover risk management, defending systems against cyber-attack, detecting cyber security events, and minimising the impact of cyber security incidents. An audit of NHS Tayside's compliance with the standards is currently being undertaken for the

Scottish Health Competent Authority (SHCA). The resulting report will be published during 2023/24.

### **NHS Tayside intends to achieve net zero by 2040 and has developed key performance indicators**

**69.** The Scottish Government has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met.

**70.** NHS Tayside has a corporate emissions reduction target to achieve net zero by 2040 and engaged HDR consultants to develop a Net Zero Route Map to achieving this. To assist with this NHS Tayside has developed key performance indicators which are reported to the Performance and Resources Committee.

**71.** NHS Tayside is also required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed on it by the Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 and the Climate Change (Scotland) Amendment Order 2020. The information returned by the board is compiled into a national analysis report, published annually on the [Sustainable Scotland Network website](#). This includes data for all NHS territorial boards and supersedes the previous requirement for public bodies to publish individual sustainability reports.

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# 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.

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NHS Tayside has appropriate arrangements for monitoring and reporting performance.

Service performance reporting identifies that only 2 of 18 national measures are on track. Waiting times have deteriorated since Covid-19 and remobilisation activity has, so far, had a limited impact on this. However, in most areas the increases in waiting times are lower than the Scottish average over the same period, and performance against key waiting time standards is also better than the Scottish average against 6 of the 8 measures.

NHS Tayside has an appropriate and effective best value framework.

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## Management is taking a range of actions to tackle the increasing cost of agency staff

**72.** Audit Scotland's *NHS in Scotland 2022* report, highlighted that workforce capacity remains the biggest risk to the recovery of NHS services. It noted that some progress has been made against the recruitment targets set out in the NHS Recovery Plan, but boards are finding it challenging to grow their workforce numbers to the required level. It also stated that the NHS continues to experience high vacancy and turnover rates, higher than usual sickness absence and gaps in the workforce.

**73.** NHS Tayside's 2021/22 annual audit report highlighted that it faced various workforce pressures, including Covid-19 absence and recruitment and retention issues and that these staffing pressures contributed to agency staff costs increasing by 103 per cent from £11.6 million in 2020/21 to £23.6 million in 2021/22.

**74.** During 2022/23 agency staff costs increased again by 13 percent to £26.6 million. Management is taking forward a range of actions to assist in tackling the

ongoing sector-wide challenges of reducing the use of agency staff, and recruiting and retaining specialist staff, including:

- The development of a core dataset highlighting bank and agency staff usage across functional areas, to provide oversight to the executive leadership team and to service managers.
- A workforce plan action plan.
- Implementation of the action plans that form part of the talent and culture strategy will continue to be progressed, with updates provided to the Staff Governance Committee at regular intervals.
- Work to expand the current bank arrangements to cover all staff groups and to implement the national eRostering systems for medical staff which will provide greater visibility around workforce deployment and assurance around safe levels of staffing.
- A task and finish group set up by the Chief Nursing Officer Directorate (CNOD) and SG Health Workforce Directorate are reviewing the 'Staff Banks Good Practice Guidance' from 2007. Part of that work is the implementation of agency principles (for nursing and midwifery) which are specifically aimed at reducing agency costs and the use of off-framework agencies.

## **NHS Tayside has appropriate arrangements for monitoring and reporting performance**

**75.** NHS Tayside reports to the Performance and Resources Committee throughout the year on performance against a range of national measures and standards, and local measures that align with its strategic direction.

**76.** During 2022/23 performance reports included performance against the 18 national measures including A&E, Inpatient and Outpatient waiting times, and the provision of cancer, mental health, and drug and alcohol services. The performance reports also included details of NHS Tayside's performance against the 5 remobilisation measures designed to monitor the board's progress in recovering from the impact of the Covid-19 pandemic.

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### **Good practice – Whole system response reporting**

During 2022/23 NHS Tayside introduced a new weekly report highlighting the demand across the system with a focus on emergency department performance, hospital activity and bed occupancy, delayed discharges, and acute nursing workforce. Management is also able to access live data on each of these measures to identify pressure points in the system. The availability of this data supported the operational management and planning of services to ensure safe care.

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## **Service performance reporting identifies that only 2 of 18 national measures are on track**

**77.** The 2022/23 annual report and accounts includes a summary of performance against the key non-financial national targets included as part of the routine reporting to the Performance and Resources Committee and the Board. Where available more recent local data is used rather than national data.

**78.** At the end of March 2023 the performance against 18 key measures is

- 2 of the measures are on track, with 2 others within 5 per cent variance of the target/trajectory
- 10 of the measures are greater than 5 per cent variance compared to the target/trajectory
- 4 of the measures do not have a confirmed target/trajectory, and
- 4 of the 18 measures show improvement on performance in the previous financial year.

## **Waiting times have deteriorated since Covid-19 and remobilisation activity has, so far, had a limited impact on this. However, performance against key waiting time standards is better than the Scottish average against 6 of the 8 measures.**

**79.** [Exhibit 7](#) shows how activity and waiting times have been impacted by Covid-19 and [Exhibit 8](#) provides a comparison of current waiting times compared to prior years.

**80.** As can be seen in [Exhibit 7](#), there has been a significant increase in waiting times in NHS Tayside since the pandemic but in most areas these increases are lower than the Scottish average. [Exhibit 8](#) shows that NHS Tayside's performance against key waiting time standards has deteriorated over the last 3 years but is better than the Scottish average against 6 of the 8 measures.



## Exhibit 7

### Trends in demand, activity and length of waits

| Demand   |   | % change    |              |
|--|---|-------------|--------------|
|  |   | NHS Tayside | NHS Scotland |
| Number waiting for diagnostic tests  | <p>Monthly December 2019 to March 2023</p> <p>8,510 10,084</p>    | ↑ 18%       | ↑ 74%        |
| Number of patients waiting for an inpatient or day case admission                      | <p>Quarterly December 2019 to March 2023</p> <p>7,402 11,004</p>  | ↑ 49%       | ↑ 84%        |
| Number of patients waiting for a new outpatient appointment                            | <p>Quarterly December 2019 to March 2023</p> <p>26,564 28,275</p> | ↑ 6%        | ↑ 70%        |
| Activity   |   | % change    |              |
|  |   | NHS Tayside | NHS Scotland |
| Number of scheduled elective operations in theatre system                              | <p>Monthly December 2019 to March 2023</p> <p>1,783 2,086</p>     | ↑ 17%       | ↓ 11%        |
| Number of inpatient and day case admissions  | <p>Quarterly December 2019 to March 2023</p> <p>5,364 5,108</p>   | ↓ 5%        | ↓ 17%        |
| Number of new outpatient appointments  | <p>Quarterly December 2019 to March 2023</p> <p>32,214 22,684</p> | ↓ 30%       | ↓ 13%        |
| Length of waits  |   | % change    |              |
|  |   | NHS Tayside | NHS Scotland |
| Number waiting longer than 6 weeks for diagnostic tests                                | <p>Monthly December 2019 to March 2023</p> <p>2,446 2,919</p>     | ↑ 19%       | ↑ 308%       |
| Number of patients waiting longer than 12 weeks for an inpatient or day case admission | <p>Quarterly December 2019 to March 2023</p> <p>2,788 7,129</p>   | ↑ 156%      | ↑ 284%       |
| Number of patients waiting longer than 12 weeks for a new outpatient appointment       | <p>Quarterly December 2019 to March 2023</p> <p>10,933 12,839</p> | ↑ 17%       | ↑ 235%       |

Source: [Public Health Scotland](#)

## Exhibit 8

### Performance against key waiting time standards

| Target/standard   | NHS Tayside performance |            |                    | NHS Scotland performance |
|---|-------------------------|------------|--------------------|--------------------------|
|   | March 2021              | March 2022 | March 2023         | March 2023               |
| <b>Cancer 62 Day Referral to Treatment target</b><br>Proportion of patients that started treatment within 62 days of referral.                                    | 94.2%                   | 85.9%      | 79.8% <sup>1</sup> | 71.7% <sup>1</sup>       |
| <b>Cancer 31 Days Referral to Treatment target</b><br>Proportion of patients who started treatment within 31 days of decision to treat.                           | 98.5%                   | 95.4%      | 94.9% <sup>1</sup> | 94.1% <sup>1</sup>       |
| <b>18 Weeks Referral to Treatment target</b><br>Proportion of patients that started treatment within 18 weeks of referral.  | 76.7%                   | 75.3%      | 66.8%              | 67.1%                    |
| <b>Patient Treatment Time Guarantee</b><br>Proportion of inpatients or day cases that were seen within 12 weeks.  | 59.6%                   | 58.3%      | 56.5%              | 56.3%                    |
| <b>Outpatients waiting less than 12 weeks</b><br>Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral. | 52.6%                   | 60.9%      | 54.6%              | 47.1%                    |
| <b>A &amp; E attendees</b><br>Proportion of A & E attendees who were admitted, transferred or discharged within 4 hours.  | 96.6%                   | 92.2%      | 88.1%              | 62.7%                    |
| <b>Drug and Alcohol 21 days</b><br>Proportion of drug and alcohol patients that started treatment within 21 days.   | 95.7%                   | 76.7%      | 80.4% <sup>1</sup> | 91.3% <sup>1</sup>       |
| <b>Children and Adolescent Mental Health Services Waiting Times</b><br>Proportion of patients seen within 18 weeks of referral.                                   | 83.5%                   | 78.6%      | 81.3% <sup>1</sup> | 81.1% <sup>1</sup>       |

Note. 1: As the validated March 2023 data is not yet available for these measures, the December 2022 validated data has been used.

Source: [Public Health Scotland](#)

## NHS Tayside monitors performance on remobilisation measures, with all 5 key measures on track

**81.** The Scottish Government requested NHS boards to produce and regularly revise plans outlining plans for the delivery of health services.

**82.** NHS Tayside regularly reports information on performance against remobilisation measures. The most recent report identified that all 5 measures are on track. These cover:

- number of inpatient / day case (treatment time guarantee) patients treated
- number of new outpatients seen
- number of diagnostics (8 key tests) delivered – endoscopy only
- number of diagnostics (8 key tests) delivered – radiology only
- number of new appointments delivered by child and adolescent mental health services.

## NHS Tayside has an appropriate and effective best value framework

**83.** [\*Ministerial guidance to Accountable Officers\*](#) for public bodies and the [\*Scottish Public Finance Manual\*](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics 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.

**84.** A new Best Value Framework was approved by the Audit and Risk Committee on 23 June 2022 and implemented by the Board and standing committees during 2022/23. Each Best Value characteristic has been allocated an executive lead officer who will build assurances on best value into existing reporting arrangements. Each characteristic has been aligned to a standing committee or to the Board. In addition, the standard report template has been amended to ensure that all papers and committee and Board Reports are prepared and presented showing the alignment to the relevant Best Value characteristics, so it is clear what aspects of best value individual decisions or assurances relate to. The terms of reference of the standing committees, where applicable, have been amended in the Code of Corporate Governance to include the specific requirement to provide assurances on their aligned Best Value characteristics in their annual report to the Board.

**85.** We are satisfied that NHS Tayside has an appropriate and effective best value framework.

# Appendix 1. Action plan

## 2022/23 recommendations

| Issue/risk   | Recommendation   | Agreed management action/timing  |
|--|--|--|
| <p><b>1. Accounting for Carseview PFI</b></p> <p>The existing contract for Carseview PFI expires on 11 June 2026. A number of options are available to NHS Tayside at the end of the contract and a decision has to be taken by 11 June 2024 (23rd anniversary of contract commencement date) as to which of the following options will be exercised:</p> <ul style="list-style-type: none"> <li>• allow the agreement to expire on 11 June 2026</li> <li>• negotiate an extension of the agreement,</li> <li>• invite tenders for a new contract,</li> <li>• purchase the equipment and ground lease.</li> </ul> <p>Our review identified that the assets at Carseview had been included in the unaudited accounts at its full value of £12.7 million with an expected life of 45 years, rather than only recognising the economic benefit to NHS Tayside over the contract term of 25 years.</p> <p><b>Risk:</b> The associated asset may require to be written off at the end of the contract or additional costs may have to be recognised if NHS Tayside decide to purchase the equipment and ground lease.</p> | <p>NHS Tayside should review its accounting for the Carseview asset and PFI contract during 2023/24 to ensure it accurately reflects the decision taken as to which option will be exercised at the end of the contract.</p> <p><a href="#">Exhibit 3 and paragraphs 53. and 54.</a></p> | <p>A Project Board has been established during 2022/23 to oversee the end of PFI contract scenario options available, including affirming the need to secure the asset at the termination of the current PFI contract. A business case will be developed during 2023/24, to be taken through the NHS Tayside governance process ahead of submission to Scottish Government outlining the financial implications, both capital and revenue, of the options available. This will inform accounting treatment.</p> <p><b>Responsible officer:</b><br/>Assistant Director of Finance – Infrastructure</p> <p><b>Agreed date:</b> 31 March 2024</p> |

| Issue/risk  | Recommendation  | Agreed management action/timing  |
|---|---|--|
| <p><b>2. Holiday Pay Accrual</b></p> <p>The total holiday pay accrual is £7.7 million.</p> <p>The total annual leave days, used as a key input to the estimate, has not been updated in 2022/23. No assessment has been collated of outstanding leave as at 31 March 2023 due to clinical priorities and pressures. The number of hours is based on a 2021/22 annual leave assessment.</p> <p>Also, the basis of the estimate has changed and is now using whole time equivalent (WTE) staff numbers rather than head count to determine the number of days leave for many staff.</p> <p>Headcount is still being used for Agenda for Change staff and this has reduced from 13,015 to 12,503.</p> <p>The holiday pay accrual has decreased by £2.6 million in 2022/23.</p> <p><b>Risk:</b> The holiday pay accrual is inaccurate</p> | <p>The holiday pay accrual for staff should be updated for actual data to 31 March 2024 and the methodology reviewed to ensure it has a consistent and defensible basis which helps determine an accurate accrual.</p> <p><a href="#">Exhibit 3</a></p> | <p>Annual leave accrual will be reviewed as at March 2024, with engagement with the wider organisation.</p> <p><b>Responsible officer:</b><br/>Assistant Director of Finance - Corporate</p> <p><b>Agreed date:</b> 31 March 2024</p>  |
| <p><b>3. Staff verification exercises</b></p> <p>As reported in 2020/21 and 2021/22, although management has advised that processes are in place to regularly verify the existence of employees on the payroll system, no robust audit trail is maintained to enable us to test the operation of this control.</p> <p><b>Risk:</b> Payments are made to staff not currently employed by NHS Tayside.</p>  | <p>Management should review the staff verification process to ensure a robust audit trail is maintained evidencing that this has been performed and any issues identified and investigated.</p> <p><a href="#">Exhibit 5</a></p>                        | <p>On a monthly basis the “Reconciliation – Terminations” Report will be taken from eESS and saved locally. The report highlights cases where the Employee record has an end date in eESS but not in ePayroll. Review of the report will be undertaken to understand the circumstances and follow up with payroll to investigate reasons for any cases remaining on payroll after the end date described in eESS. Notes of the action taken will be kept on a monthly basis.</p> |

| Issue/risk   | Recommendation  | Agreed management action/timing   |
|--|---|---|
|  |   | <p><b>Responsible officer:</b> Head of HR - Workforce Planning</p> <p><b>Agreed date:</b> 31 March 2024</p>   |
| <p><b>4. Payroll access</b></p> <p>For operational reasons a small number of staff within the Payroll Services Team have “write” access to both the Scottish Standard Time System (SSTS) and the ePayroll system. Management advised that no formal process is currently in place to review user access to these systems.</p> <p><b>Risk:</b> Inappropriate access is gained to key systems.</p>   | <p>A process should be introduced to periodically review user access to the SSTS and ePayroll systems to ensure it is limited to those staff who require it.</p> <p><a href="#">Exhibit 5</a></p> | <p>Current practice is to amend access when Payroll Services Team members join or leave the team. A review process will be implemented reviewing ePayroll/SSTS user access on a quarterly basis.</p> <p><b>Responsible officer:</b> Payroll Manager</p> <p><b>Agreed date:</b> 30 September 2023</p>  |
| <p><b>5. Financial planning</b></p> <p>The Board approved the draft Three Year Revenue Financial Plan 2023/24 to 2025/26 on 27 April 2023, noting that due to the scale of the financial challenge facing NHS Tayside it was not in a position to deliver a balanced financial plan for 2023/24 at that stage.</p> <p>The plan identifies a budget gap of £57 million for 2023/24 after the delivery of a £30 million savings plan, with projected budget gaps of £61 million in 2024/25, and £63 million in 2025/26</p> <p><b>Risk:</b> NHS Tayside is unable to manage the medium-term financial position.</p> | <p>Detailed financial plans should be developed to manage the medium term financial position.</p> <p><a href="#">Paragraphs 45. to 48.</a></p>  | <p>The Director of Finance has commissioned a Financial Recovery Team to oversee the development and implementation of the structured workstream programme set up to deliver the 3 per cent recurring savings target set by the Scottish Government, and to develop further measures to reduce the gap. Progress with this will be monitored through the board’s Business Critical Group, led by the Chief Executive, and reported to the Performance and Resources Committee throughout the year</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> 31 March 2024</p> |

| Issue/risk   | Recommendation   | Agreed management action/timing   |
|--|--|---|
| <p><b>6. Strategic planning</b></p> <p>Following the Covid-19 pandemic, NHS boards have been required to prepare annual delivery plans setting out how they will respond to national priorities and local challenges in recent years. As NHS Tayside attempts to recover from the pandemic it will be important that it develops a longer-term strategic plan to support the delivery of its vision.</p> <p><b>Risk:</b> NHS Tayside is unable to manage the medium-term financial position.</p> | <p>NHS Tayside needs to develop a long-term strategic plan to support the delivery of its vision.</p> <p><a href="#">Paragraphs 55. and 56.</a>, <a href="#">Exhibit 7</a> and <a href="#">Exhibit 8</a></p> | <p>NHS Tayside continues to engage with Scottish Government on the development of strategy. NHS Tayside continues to work with partner organisations to develop plans. The Medium Term Plan is to be submitted to SG in July 2023 and this will provide the basis for further development.</p> <p>The Deputy Chief Executive post has been recruited and strategy development will be a key objective.</p> <p><b>Responsible officer:</b> Deputy Chief Executive</p> <p><b>Agreed date:</b> 31 March 2023</p>                               |
| <p><b>7. Cyber security</b></p> <p>Two recommendations have been made to strengthen cyber security. These are not reproduced here due their sensitivity in a public document.</p> <p><b>Risk:</b> NHS Tayside's may be more vulnerable to cyber attack.</p>  | <p>Consideration should be given to implementing cyber security improvements</p> <p><a href="#">Paragraphs 66. and 67.</a></p>   | <p>An audit of NHS Tayside's compliance with Network and Information Systems (NIS) Regulations is currently being undertaken for the Scottish Health Competent Authority (SHCA). The resulting report will be published during 2023/24.</p> <p>The recommendations are noted and work is underway to address the issues highlighted, including developing mandatory internal training and engaging external support as required.</p> <p><b>Responsible officer:</b> Head of Digital Operations</p> <p><b>Agreed date:</b> 31 March 2024</p> |



## Follow-up of prior year recommendations

| Issue  | Recommendation   | Progress during 2022/23  |
|--|--|--|
| <p><b>PY1. Three-year financial plan</b></p> | <p>NHS Tayside's three-year financial plan should be aligned with the national priorities advised by the Scottish Government and the local challenges faced by the board, and also include scenario planning of key financial assumptions.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>    | <p><b>Complete</b></p> <p>The Scottish Budget for 2023/24 was announced on 15 December 2022, providing high level planning assumptions for both revenue and capital budgets.</p> <p>The draft Financial Plan 2023/24 to 2025/26 was submitted to SG on 16 March 2023.</p> <p><a href="#">Paragraphs 43. to 47.</a></p> |
| <p><b>PY2. 2022/23 financial gap</b></p>     | <p>Additional savings plans should be developed to address the remaining financial gap of £19.6 million for 2022/23. Where possible these should include recurring savings to help reduce the recurring deficit of the board.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>                 | <p><b>Complete</b></p> <p>Efficiency savings totalling £33.5 million were achieved during 2022/23, with £4.4 million representing recurring savings.</p> <p><a href="#">Paragraphs 23. to 24.</a></p>  |
| <p><b>PY3. Agency staff costs</b></p>        | <p>Given the tight financial constraints within which the board are operating, it is vital that it tackles the current staff recruitment and retention issues that are contributing to unsustainable levels of expenditure on agency staff.</p> <p><b>Responsible officer:</b> Director of Workforce</p> <p><b>Agreed date:</b> March 2023</p> | <p><b>Ongoing</b></p> <p>Management is taking forward a range of actions to assist in tackling the ongoing sector-wide challenges of reducing the use of agency staff, and recruiting and retaining specialist staff.</p> <p><a href="#">Paragraphs 72. to 74.</a></p>   |
| <p><b>PY4. Best Value framework</b></p>      | <p>The board should continue to progress the development of its Best Value Framework to demonstrate that arrangements to secure best value are embedded across the organisation.</p>   | <p><b>Complete</b></p> <p>The new Best Value framework was rolled out during 2022/23.</p> <p><a href="#">Paragraphs 83. to 85.</a></p>   |



| Issue  | Recommendation   | Progress during 2022/23   |
|--|--|---|
|  | <p><b>Responsible officer:</b> Board Secretary / Director of Finance</p> <p><b>Agreed date:</b> March 2023</p>   |   |
| <p><b>PY5. Equality Impact Assessment policy</b></p> | <p>The board should proceed with the roll-out of the revised EIA policy to ensure this is embedded across NHS Tayside and applied to all key strategies and policies.</p> <p><b>Responsible officer:</b> Board Secretary</p> <p><b>Agreed date:</b> March 2023</p> | <p><b>Complete</b></p> <p>During May 2023 a Vital Signs bulletin was issued to advise all staff about the Equality Impact Assessment Policy and the requirement to undertake Equality Impact Assessments.</p> |

# NHS Tayside

## 2022/23 Annual Audit Report

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