# **Audit and Risk Committee**

20 June 2019, 10:30 to 12:30 Boardroom, Staff Club, Victoria Hospital

# **Agenda**

1.	Apologies for Absence
2.	<b>Declaration of Members' Interests</b>

3. Minutes of Previous Meeting held on 16 May 2019

Martin Black

Item 3 - 16 May 2019 - FINAL.pdf (10 pages)

4. Action List

Martin Black

Item 4 - AR Action List 0519.pdf (2 pages)

- 5. Matters Arising
- 5.1.
- 6. Governance Internal Audit
- 6.1. Annual Internal Audit Plan 2019/20

Tony Gaskin

- Item 6.1 SBAR Internal Audit Operational Plan
  Final.pdf (3 pages)
- Item 6.1-1 Appendix 1 NHS Fife Internal Audit Plan 2019-20 Operational Plan Final.pdf (1 pages)
- Item 6.1-2 Appendix 2 IJB Strategic Audit Plan 2019-24 and Operational Plan 2019-20.pdf (4 pages)
- 7. Risk
- 7.1. NHS Fife Risk Management Annual Report

Helen Buchanan

Item 7.1 - SBAR on the NHSF Risk Management Annual
Report to NHSF Audit Risk Committee on 200619 V0 (2 pages)
1.pdf

Item 7.1-1 - NHS Fife Risk Management Annual Report 2018-2019 V 0 2.pdf (12 pages)

#### 8. Annual Accounts Process

# 8.1. Patients Private Funds - Consolidated Abstract of Receipts & payments for Year Ended 31 March 2019

**Carol Potter** 

•	Item 8.1 - SBAR PPF Accounts.pdf	(2 pages)
	item 6.1 - 3bAKTTT Accounts.put	(Z pages)

Item 8.1-1 - Patients Funds Accounts.pdf (4 pages)

Item 8.1-2 - Patients Fund Audit Completion

Memorandum 2019.pdf (16 pages)

Item 8.1-3 - Patients Fund Letter of Representation (2 pages)

9.

# 9.1. Endowment Fund - Annual Accounts for Year Ended 31 March 2019

Carol Potter

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	Item 9.1 - SBAR Endowment Accounts.pdf	(3 pages)

Item 9.1-1 - Endowment Accounts - Final 3.pdf (26 pages)

Item 9.1-2 - Endowment Audit Completion
Memorandum 2019.pdf
(20 pages)

Item 9.1-3 - Endowment Letter of Rep 2019.pdf (3 pages)

10.

#### 10.1. Annual Assurance Statement for 2018/19

Gillian MacIntosh

Item 10.1 - Annual Assurance Statements 18-19.pdf (61 pages)

10.1.1. Clinical Governance

10.1.2. Finance, Performance & Resources Committee

10.1.3. Staff Governance Committee

10.2. Service Auditor Reports on Third Party Services

Carol Potter

Item 10.2 - SBAR Service Auditors Report.pdf (2 pages)

#### 10.3. Audit & Risk Committee Annual Statement of Assurance

Martin Black

	<b>1</b> 10 2 50 40 4 15 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	(2)	
	Item 10.3 - SBAR Annual Statement of Assurance.pdf	(2 pages)	
	Item 10.3-1 - Annual Statement of Assurance 201819.pdf	(16 pages)	
10.4.	Internal Audit Annual Report		
			Tony Gaskin
	Item 10.4 - SBAR Annual Internal Audit Report.pdf	(2 pages)	
	Item 10.4-1 - B06-20 Annual Internal Audit Report.pdf	(32 pages)	
10.5.	Notification from Sponsored Body Audit Comm	ittees	
			Carol Potter
	Item 10.5 - SBAR Significant Issues.pdf	(2 pages)	
	Item 10.5-1 - 2018-19 Annual Accounts - Significant Issues Letter from Richard McCallum - NHS Boards.pdf	(1 pages)	
	Item 10.5-2 - Draft Reponse Letter - Significant Issues.pdf	(1 pages)	
11.	Draft Annual Accounts for Year Ended 31 Ma	arch 2019	
11.1.	Draft Report on Annual Accounts		
			to follow
			Carol Potter
	Item 11.1 - SBAR Annual Accounts.pdf	(4 pages)	
	Item 11.1-1 - Annual Accounts 2018-19.pdf	(107 pages)	
11.2.	Annual Audit Report for the Board of NHS Fife a General for Scotland	and Auditor	
			to follow
			Pearl Tate
	Item 11.2 - Annual Audit Report.pdf	(37 pages)	
11.3.	Annual Audit Report Cover Letter and Draft Let Representation (ISA560)	ter of	
			to follow
			Carol Potter
	Item 11.3 - SBAR Letter of Representation.pdf	(2 pages)	
	Item 11.3.1 - Audit Scotland cover letter.pdf	(9 pages)	
	Item 11.3-2 - Letter of Representation.pdf	(5 pages)	

#### 11.4. Annual Assurance Statement to the NHS Board

Martin Black

Item 11.4 - SBAR Annual Assurance Statement to the NHS Board.pdf (2 pages)

Item 11.4-1 - Annual Assurance Statement to the NHS Board.pdf (3 pages)

# 11.5. Losses Schedules 2018/19

**Carol Potter** 

Item 11.5 - Losses Schedule.pdf (2 pages)

Item 11.5-1 - Losses Schedule.pdf (3 pages)

12. Other

12.1. Issues for escalation to NHS Board

Martin Black

- 13. Any Other Competent Business
- 14. Date of Next Meeting
- 14.1. Thursday 12 September 2019 at 09.30am within The Boardroom, Staff Club, Victoria Hospital

# Fife NHS Board UNCONFIRMED



MINUTES OF THE NHS FIFE AUDIT & RISK COMMITTEE HELD AT 9:30AM ON THURSDAY 16 MAY 2019 IN THE STAFF CLUB, VICTORIA HOSPITAL, KIRKCALDY.

#### Present:

Mr M Black, Non-Executive Director (**Chairperson**)
Ms J Owens, Chair, Area Clinical Forum
Cllr D Graham. Non-Executive Director

Mrs M Wells, Non-Executive Director Ms S Braiden, Non-Executive Director

#### In Attendance:

Mr P Hawkins, Chief Executive
Mrs H Buchanan, Director of Nursing
Mr B Hudson, Regional Audit Manager
Dr G MacIntosh, Head of Corporate Governance & Board Secretary
Mrs C Potter, Director of Finance
Ms P Tate, Audit Scotland

**ACTION** 

#### 17/19 APOLOGIES FOR ABSENCE

Mr T Gaskin

#### 18/19 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest.

## 19/19 MINUTES OF PREVIOUS MEETING HELD ON 14 MARCH 2019

The Minutes of the previous meeting were **approved** as an accurate record.

## 20/19 ACTION LIST

In reference to the outstanding action on the list (no.4), Mrs Potter advised that this will be addressed as part of the year-end accounting process.

#### 21/19 MATTERS ARISING

**06/19 (c) - Follow Up Report on Audit Recommendation -** Mrs Wells asked about the outstanding priority actions ranked as high. Mrs Potter advised that this information had been incorporated in the update provided to the Committee today.

**06/19 (d) - Information Sharing Protocol** - Mrs Wells asked for an update on the IJB audit plan and how this will be considered in the preparation of the NHS Fife version. Mr Hudson stated that he has received a copy of the IJB plan for next year and this has been considered in the drafting of the 2019-20 Audit Plan to be brought to the June Meeting.

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# (a) Committee Workplan

Mrs Potter noted that the Committee's workplan has been considered at previous meetings. The workplan is a live document and there have been a number of minor amendments since the Committee last viewed the document. The changes have been tracked for reference.

Mrs Potter highlighted that as part of this year's Annual Accounts process, the Audit & Risk Committee will also receive the year-end accounts for the Endowment Fund Accounts (this has been entered into the workplan for June). It has therefore been agreed to move the timing of the next meeting to 10.30am, to allow the Endowment Sub Committee to meet prior.

The Audit & Risk Committee **approved** the updated workplan for 2019/20.

#### 22/19 Governance Workplan Update

### (a) Annual Assurance Statement

Mrs Potter presented the draft Annual Assurance Statement to the Committee. The final version will be signed by the Chair and will be presented to the NHS Fife Board in June, along with all the other Committees' Annual Reports. The Statement was attached for review and comment.

The Statement outlines the business covered by the Audit & Risk Committee over the past year. After discussion, the members agreed that they would prefer a more detailed Annual Assurance Statement and asked for the information on some of the business items to be extended, particularly around risk and internal audit.

The Audit & Risk Committee <u>agreed</u> to the production of a more detailed Annual Assurance Statement and for the final report to be brought back in June for approval.

#### (b) Draft Governance Statement

Mrs Potter advised that, as Accountable Officer, the Chief Executive prepares a Governance Statement to provide the Board with assurance on all aspects of Governance across NHS Fife. This is accompanied by a portfolio of evidence that is provided to the Chief Internal Auditor as part of the overall year-end review.

The Audit & Risk Committee <u>noted</u> the Draft Governance Statement for 2018/19.

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# (c) Property Transactions

Mrs Potter stated that this report provides details on any property purchases or disposals made by NHS Fife in the last financial year. NHS Fife are required by Internal Audit to seek a review of these transactions, to ensure that these comply with the NHS Property Transactions Handbook. There were three transactions completed during 2018/19.

The Audit & Risk Committee <u>requested</u> that the Internal Audit service review the three noted transactions, in accordance with the NHS Scotland Property Transaction Handbook, to allow reporting to the Audit & Risk Committee in September 2019, in advance of the 31 October 2019 deadline for Board reporting to the SGHSCD.

# (d) Payments to Primary Care Practitioners

Mrs Potter highlighted that payments to Primary Care Practitioners are managed centrally for NHS Scotland by the Practitioner Services Division (PSD) of NHS National Services Scotland (NSS). Throughout the year there is a very robust and detailed verification process that reviews these transactions.

NHS Fife continues to meet routinely with representatives from PSD to monitor the payment verification work undertaken by PSD on behalf of the Health Board.

Mrs Potter referred back to the previous meeting, where discussion had taken place around the Committee Self-Assessment responses and improving the skills development of members. She asked the Committee if they would like to receive a dedicated training session on the above process, with an invitation to be extended to the Primary Care Manager and a Primary Care Accountant to explain the system in place to monitor these payments.

The Audit & Risk Committee <u>noted</u> the report and <u>agreed</u> to the scheduling of a future training session on this topic for members.

CP

# (e) Annual Review of Code of Corporate Governance (COCG)

Mrs Potter reported that the Terms of Reference (TOR) have been recently reviewed for all the Board's Standing Committees. Also, a number of minor updates to the Standing Financial Instructions (SFIs) have taken place as part of the ongoing review of the COCG. These are all encompassed in the version before the Committee.

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Mrs Potter recommended to members that the COCG is reviewed on an annual basis and asked the Committee to recommend approval of this version as it stands to the NHS Board meeting in May.

Mrs Wells noted that it was a substantial document, with a helpful amount of detail and guidance. There was a similar document (a 'Governance Manual') recently considered in draft by the IJB Audit & Risk Committee, detailing the governance structure of that body. Though there was some similarity in names of standing committees between the NHS Board and the IJB, it was apparent that there were some significant differences in the TOR of the IJB bodies – some areas covered in remits of committees in the NHS were different or absent in the IJB wording. It was noted that this was an issue that could potentially cause confusion if a Board member sat on both bodies.

Dr MacIntosh advised that, as part of the implementation of the NHS Scotland Blueprint for Good Governance, further guidance will be issued on the content of model Standing Orders for Boards. This is likely to require a further update to the Code outwith the planned annual cycle of review. Additionally, this work encompasses guidance on the mandatory committees expected to be in place for NHS Boards, with model TORs to provided for each. It was recognised that, going forward, Health Boards will likely have limited flexibility to change their remits beyond what is given in the standard text. The IJB would, however, have more flexibility to review and adapt their committee remits, as they do at present.

The Audit & Risk Committee <u>reviewed</u> the tracked changes to the updated Code, <u>noted</u> the intention to review the Code on an annual cycle in future years, as per the Committee's workplan, and recommended <u>approval</u> of the current version to the Board.

#### 23/19 INTERNAL AUDIT

# (a) Internal Audit Progress Report and Summary Report

Mr Hudson gave a brief update on progress in delivering the 2018/19 plan.

He stated that, in line with best practice recognised by the public sector internal audit standards, as detailed in the recent External Quality Assessment report considered later in the meeting, in future audits not yet started will not automatically be carried forward and these will be risk assessed for inclusion in the following year's internal audit plan. This will allow Internal Audit to start the 2019/20 timetable with a realistic and achievable plan,

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aligned to the areas of risk.

The Audit & Risk Committee <u>noted</u> the ongoing delivery of the 2018/19 NHS Fife Internal Audit Plan, and <u>noted</u> the audits identified for risk assessment and considered for inclusion in the 2019/20 internal audit plan.

# (b) INTERNAL AUDIT PLAN

Mr Hudson highlighted that the purpose of this paper is for the Audit & Risk Committee to discuss and comment on the draft Annual Internal Audit Plan for 2019-20.

The plan is in draft and is considered an early version subject to the input of the Audit & Risk Committee, Chief Executive and Executive Director Group. The final version will be brought back to the Audit & Risk Committee in June for final approval.

As in previous years, the Strategic Plan is structured around an audit universe based on a five-year cycle which has been mapped and contains overt links to the Board Assurance Framework (BAF) risks.

This year, it demonstrates cyclical coverage of all BAF risks over the five-year cycle and also incorporates views on areas for inclusion from the Chairs of the Board's Standing Committees and Executive Directors.

The Audit & Risk Committee <u>considered</u> the draft plan and <u>agreed</u> that it will be taken forward for comment and input from the Executives Directors Group, prior to seeking the Committee's formal approval at its June meeting.

# (c) Internal Audit – Follow Up Report on Audit Recommendations

Mrs Potter acknowledged that, due to staff changes affecting the follow-up reminders, there has been a slippage on the number of outstanding actions. The majority of these were ranked as Priority 3.

The schedule of outstanding actions has been amended, per the revised Follow Up Protocol, to provide details of each specific recommendation and expected action.

As previously reported, a revised approach is shortly to be implemented for 2019/20, using Datix as the mechanism to record and monitor follow-up progress on internal audit recommendations. This will be administered in the first instance

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by the Internal Audit team and the first report using this new system should be available in September.

The Audit & Risk Committee **noted** the follow-up action taken to close off previous internal audit reports.

# (d) External Quality Assessment (EQA)

Mr Hudson noted that the Audit & Risk Committee is asked to review the findings, recommendations and action plan arising from the independent review of Internal Audit undertaken by the Chief Internal Auditor, Midlothian Council and Scottish Borders Council, on behalf of the Chief Internal Auditors' Group. Public Sector Internal Audit Standards (PSIAS) require an independent external assessment of internal audit functions once every five years.

Overall, the EQA assessment undertaken concluded that "following completion of the comprehensive EQA Checklist and, based on the work undertaken, it is my opinion that the FTF Internal Audit service for Fife and Forth Valley generally conforms with the PSIAS."

It was reported that the Chief Internal Auditor is actively progressing the recommendations made in the report and the report has been discussed at the FTF Partnership Board.

The Audit & Risk Committee <u>considered</u> the final report, <u>approved</u> the process that the progress of the recommendations therein are reported as part of the Internal Audit Annual Report and Interim Control Evaluation, and <u>specifically approved</u> action point 4 within the EQA that linked to amending the process whereby prior year audits would no longer roll-over into the next year unless risk assessed for priority.

#### (e) SHARED SERVICE AGREEMENT/ SERVICE SPECIFICATION

The Audit & Risk Committee **noted** the report, which was tabled for members' information.

#### 24/19 Governance – External Audit

#### (a) Interim Management Report

Ms Tate introduced the report, which summarised the key issues identified during the interim audit work carried out at NHS Fife. The work included testing of key controls within financial systems. It concluded that the controls in place within NHS Fife's main financial systems operate satisfactory. Audit Scotland did

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indentify some minor areas of control weaknesses, which would be addressed as part of the year-end work.

It was noted that NHS Fife continues to face a number of challenges in delivering financial and performance targets. The transparency of budgetary reports has improved. However, the Board continues to rely on non-recurring savings to deliver its targets. Areas highlighted for members' comment included the difficulty of long-term budgetary planning, in the current funding environment, and the slow-down of regional planning activities. It was also noted that there is uncertainty over the current IJB risk share agreement with Fife Council, and any changes to this arrangement would need to be agreed by all partners and finally approved by Scottish Government.

In their report, Audit Scotland have flagged some issues with the operation of the NHS Fife website, with several instances of difficulty in finding documents and up-to-date papers. Other areas flagged to members included a recommendation of potential amendment to the process of escalating issues to the Board, to ensure follow-up action occurs. It was noted that there was a positive response from members on the new Committee self-assessment process, but that some further tweaks could be made to further clarify questions and ensure that follow-up actions took account of neutral responses.

Other areas detailed in the narrative included:

- the current operation of Health & Social Care integration arrangements, particularly around governance of the IJB and the transformation programmes;
- mitigation of identified risks arising from EU withdrawal;
- the delay in achieving cyber essential accreditation or compliance with the General Data Protection Regulation (GPDR) 2018;
- sample-testing of performance targets and NHS Fife's standings therein, including Sickness Absence, CAMHS waiting times and Treatment Time Guarantee (TTG).

Members discussed the report at length. There was some concern expressed that the language was in some instances overly negative, leading potentially to an unbalanced context of the report. For instance, the comment about the escalation process to the Board being unsatisfactory was not a view shared by Committee chairs, who were confident that this allowed the Board to be sighted on key areas of progress (both good and bad), follow-up of which would then be undertaken as part of each Committee's remit. The current risk share arrangement was not perceived positively by Committee members, in contradiction to

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the report's conclusions that this was a positive aspect of partnership working. Additionally, the performance overall of NHS Fife is in the upper quartile of Scottish Boards, and it was thought that this context was not made apparent in the current draft of the report.

Also discussed were Board members' understanding of the 'run rate', and it was noted that further training could be made available if this concept remained difficult for individuals to comprehend. It was noted that long-term financial planning was difficult to achieve in the current environment, given the short-term budgetary allocations from Scottish Government.

In reference to the operation of the Board and its committees, based largely on review of the feedback from the annual self-assessment questionnaire, it was highlighted that committee-specific training has now commenced, building on the regular Board Development Sessions. The distribution of late papers was reducing, across both the Board and the IJB, reflecting improved means of electronic distribution.

Ms Tate thanked members for their comments. It was noted that where there has been an error or something faculty inaccurate within the current draft, this will be changed. However, amendments will be minor in nature, as the report remains the opinion of Audit Scotland based on the fieldwork they have undertaken.

The Audit & Risk Committee **noted** the report.

# (b) AUDIT PLANNING MEMORANDUM - PATIENTS' PRIVATE FUNDS

The Audit & Risk Committee **noted** the update.

### 25/19 (a) Board Assurance Framework (BAF)

Mrs Wright advised that six components contained within the BAF had been through all the relevant Governance Committees of the Board for Review.

## **Environmental Sustainability**

Three risks have reduced from high to moderate and are no longer on the BAF.

One risk has increased its risk level from moderate to high in terms of likelihood.

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Date:

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#### Workforce Sustainability

One risk has reduced its risk level from high to moderate and is no longer included on the BAF.

# **Quality & Safety**

Two risks were added to this BAF, both of which relate to Brexit.

## Mitigating Actions

One addition was that from April 2019: the organisation would implement the Healthcare Improvement Scotland (HIS) Quality of Care Approach & Framework, Sept 2018.

## Strategic Planning - Mitigating Actions

Mrs Buchanan highlighted that a review of the structure of the Joint Strategic Transformation Group (JSTG) is underway, with a pause on meetings going forward. The review will cover the role and remit of the group including governance arrangements. She stated that there would be a workshop in June to take this work forward.

#### eHealth BAF

A draft eHealth BAF has been developed. It will be considered by the eHealth Board on 24 May 2019, with a view to reporting to the Clinical Governance Committee in July 2019.

The Audit & Risk Committee <u>noted</u> the BAF and noted the <u>updates to the risk ratings</u>.

#### 26/19 OTHER

#### (a) Performance & Accountability Review Framework

The Audit & Risk **noted** the introduction of the new Framework.

## (b) Technical Bulletin 2019/1

The Audit & Risk <u>noted</u> the report. It was agreed that Ms Braiden would speak further with Ms Tate for an explanation of some of the technical language included within the bulletin.

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## 27/19 Issues for Escalation to the NHS Board

There were no items from this meeting for escalation to the NHS Board.

- 28/19 Any Other Competent Business
- **29/19 DATE OF NEXT MEETING:** Thursday 20 June 2019 at 10.30am, within the Boardroom, Staff Club, Victoria Hospital, Kirkcaldy.

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# ACTION LIST FROM AUDIT & RISK COMMITTEE - 2018-19

	Title	Action	Lead	Outcome
1	MOU with IJB	Update to September 2018 meeting	СР	Original action now superseded. A meeting with colleagues in the Partnership and Fife Council has recently taken place, to consider the conclusions of the recent Audit Scotland report on Integration and its recommendations for improved H&SCP governance and reporting, with an assessment of the current Fife position to be reported to the Scottish Government by 15 May.
2	Annual Internal Audit Plan 2018- 19	Review planning process for future and report back to the Committee	TG	Better alignment between NHS Fife and Fife Council will be reflected in next Internal Audit annual plan, to be considered by Committee in March 2019.
3	Information Sharing	Prepare sharing protocols between NHS Fife and Fife Council	TG	As above.
4	Patients' Private Funds – Consolidated Abstract of Receipts and Payments for year ended 31.03.18	Archiving of forms for recording specific expenditure prior to audit – ask M Kellet to provide assurance that nothing of concern and ask Finance Dept to review internal control procedures and consider using LearnPro module	СР	Action to be completed as part of year-end accounting process.
5	Annual Accounts Process	Ensure consistency in the format of the Annual Assurance Statements	СР	More consistent approach undertaken this year across the Board's governance committees.

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6	Committee Calendar	Sequencing of meetings to be considered between NHS Fife/Fife Council/IJB	GM	Checked future scheduled dates for Audit & Risk and confirmed that none clash with full meetings of Fife Council or any Fife Council committees on which Cllr Graham currently sits.
7	Internal Audit Progress & Summary reports	Standard format of paper	ВН	Add in page numbers to the report in future.
8	Review of Committee's remit	To reflect the recent publication of the new NHS Audit and Assurance Committee Handbook, for review at the Committee in March 2019	CP/GM	Remit amended accordingly.
9	Audit Scotland report on Health & Social Care Integration	Director of Health & Social Care asked to prepare a paper for the NHS Fife and IJB Audit & Risk committees on how the report's recommendations will be addressed, for Committee's next meeting in March 2019	MK	As per Item 1 above.
10	Progress update on Annual Accounts Audit recommendations	Provide in future iterations of the report accurate information on the proposed approval by the IJB of its Financial Recovery Plan	CP / MK	This has now been rectified.

Completed Updated

2/2

# Audit & Risk Committee Meeting



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Internal Audit – Operational Plan 2019-20
EXECUTIVE LEAD:	Tony Gaskin
REPORTING OFFICER:	Tony Gaskin/Barry Hudson

Purpose of the Report (dele	ete as appropriate)	
For Approval		

#### **SBAR REPORT**

#### **Situation**

The purpose of this paper is to seek approval of the Operational Internal Audit Plan 2019-20 (Appendix 1).

IJB Strategic Audit Plan 2019-24 and Operational Audit Plan 2019-2020 (Appendix 2) is provided for information purposes.

### **Background**

The Operational Internal Audit Plan 2019-20 was presented to the May 2019 Audit and Risk Committee as part of the Strategic Audit Plan 2019-24. The Audit and Risk Committee noted the Operational Plan at the May 2019 meeting, subject to any changes from the Executive Directors Group (EDG).

#### **Assessment**

Following consideration of the Operational Internal Audit Plan 2019-20 by the EDG, one area was suggested for future inclusion in the plan, being a review of sharps management actions taken following a HSE Improvement Notice within the Maternity Department and the associated roll out of recommendations across NHS Fife.

This area could be covered within the Staff and Patient Environment line of the Audit Plan. However, one audit has already been allocated to this element. Following discussion at EDG, it was agreed that further dialogue will need to take place with relevant officers around the inclusion of this review.

Depending on the outcomes of these discussions, the inclusion of this review in the 2019-20 plan and deferment of other audits to accommodate this review, would require approval by the Audit and Risk Committee.

#### Recommendation

- The A&RC is asked to APPROVE the 2018-19 Internal Audit Operational Plan and;
- Note that it may it be subject to revision later in the year for which approval would be sought
- Note the IJB Strategic Audit Plan 2019-24 and Operational Audit Plan 2019-2020

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Objectives: (must be completed)	
Healthcare Standard(s):	The breadth of internal audit work cuts across all
	Healthcare Standards.
HB Strategic Objectives:	The breadth of internal audit work cuts across all of the
	strategic objectives within the Board's Strategic
	Framework.

Further Information:	
Evidence Base:	N/A
Glossary of Terms:	SGHSCD – Scottish Government Health and Social Care
	Directorates
Parties / Committees consulted	Director of Finance
prior to Health Board Meeting:	

Impact: (must be completed)	
Financial / Value For Money	Financial Governance is a key pillar of the annual internal audit plan and value for money is a core consideration in planning all internal audit reviews.
Risk / Legal:	The internal audit planning process which produces the annual internal audit plan takes into account inherent and control risk for all aspects of the Audit Universe. Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legal requirements are a core consideration in planning all internal audit reviews.
Quality / Patient Care:	The Triple Aim is a core consideration in planning all internal audit reviews.
Workforce:	Management responsibilities, skill sets and structures are a core consideration in planning all internal audit reviews.
Equality:	All internal audit reviews which involve review of policies and procedures examine the way in which equality and diversity is incorporated in Board documentation. In addition, equality and diversity is included as a specific topic within our Audit Universe.

D 6			S Fife Operational Internal Audit Plan 2019/2020							
Ref.			Description lit Process	Scope		Indicative Otr 1	Timing Qtr2	Qtr 3	Qtr4	Appendix A
			Audit Management							
B B	1	20	Audit Risk Assessment & Planning Audit Management & Liaison with Directors	Audit Risk Assessment & Operational Planning  Audit Management ligison with Director of Finance and other officers	10 18	;				
В	3	20	Liaison with External Auditors Audit Committee	Audit Management, liaison with Director of Finance and other officers Liaison and co-ordination with External Audit	5					
B B	4	20	Audit Committee Clearance of Prior Year	Briefings, preparation of papers, attendance and action points Provision for clearance and reporting of 2018-2019 Audit Reports	16 30					
Ъ		Cor	porate Governance	1 rovision for elemance and reporting of 2010-2017 Audit Reports	148					
R	6		Accountability and Assurance Annual Internal Audit Report	CIA's annual assurance to Audit Committee	10					
В	, .			Preparation of portfolio of evidence to support Governance Statement	10 10					
D	0	20	Interim Review	Mid Voor oggyrange for Audit Committee on greeifig agreed governance grees	28					
.Б	. 0	20	IIICIIII REVIEW	Mid Year assurance for Audit Committee on specific agreed governance areas  Review of the audit follow-up mechanism & selective examination of	20					
В	9		Audit Follow-up  Control Environment	implementation of recommendations	20			:		
			Control Environment	Review of application of governance requirements and NHSF response to						
В	10	20	Code of Corporate Governance	Governance Blueprint Assurance structures (inc Audit Committee); relevance, reliability, timeliness and	17					
				quality of evidence and developments to meet new Audit Committee Handbook						
В	11	20	Assurance Framework & Assurance Mapping	requirements	18					
В	12	20	Policies and Procedures	Follow Up of B10/19 Safety Alerts and Identification; review, approval, communication and implementation of clinical policies	10					
В	13	20	Risk Management	Development of assurance on risk, required under PSIAS guidance	10 17					
В				Including Health and Safety, Fire and Security	18 <b>73</b>	}				
			lth Planning Health Plan							
				Review of IMPACT, Executive Board and implementation of recommendations arising from External Audit review	15 15					
Ъ	10		Service Monitoring		13					
В	17		Organisational Performance Management Effective Partnerships and Integrated Care	Identification of priorities for improvement and effective remedial action	18					
			Enective Faitherships and integrated Care	Working with Fife Council to deliver IJB Internal Audit plan. Ongoing review of				i		
В				Health Board BAF risk and associated controls.	25 <b>42</b>	*		:		
			ical Governance Quality of Care		42					
В	19	20	Adverse Event Management Patient Safety	Recording and learning from incidents, complaints and feedback	15					
В	20		Patient Sajety Infection Control	Operational risk 637 - SAB Heat target	12					
_			·	Continued support to Medicines Management Action Plan and specific review of						
В	••••••		Medicines Management f Governance	movement of medicines within the organisation	15 <b>57</b>	<b>:</b>				
			Staff Governance Arrangements							
В	22	20	Staff Governance Arrangements	Review of staff governance standards and Remuneration Committee Self Assessment, Follow up of staff lottery B21c/18	20					
		ľ	Workforce planning including capable and effective	Supplementary staffing and departmental absence						
В			workforce nicial Assurance		37 <b>20</b>					
			Use of Resources							
B	24	20		Identification, delivery and reporting of savings relating to the Transformation Programme	20					
D	• • • • • • •		ital Investment	1 logramme	29					
			Capital Strategy	Even Wister Planning alsoing/moveing words and lessons learnt: Planning for						
				From :Winter Planning - closing/merging wards and lessons learnt; Planning for Ward Changes including Post project evaluation, feedback processes and						
В	25		Capital Management  Capital & Property	signage/website	15					
В			Property Transaction Monitoring and Property Disposals nsaction Systems	Post Transaction Monitoring. Efficient effective planning for property disposal.	14 <b>12</b>					
		118		Central, payroll, travel, accounts payable, accounts receivable, banking	12					
В			Financial Process Compliance	arrangements.	12	:·····				
			rmation Governance Information Governance Standards		43					
	}									
В	30	20		Implementation of NHS Scotland Information Security Policy Framework including ICT Asset Security, eHealth Business continuity and Disaster Recovery.	25					
					) 					
			·	Alignment of local eHealth strategic plans with the Board's overall strategy, the National eHealth Strategy and review of governance processes to ensure eHealth						
			eHealth Strategic Planning and Governance	supports Strategic and transformational change	10					
В			NHS Scotland Waiting Times Methodology artmental / Whole System Reviews	Annual independent assurance over the monthly audit process	8 <b>40</b>					
В				Estates	25					
P	3/1	20	Discretionary Aspects	Specific review of controls in place to mitigate risks to NHSF arising from Brexit.	15	-				
			Discretionary Aspects Contingency	Specific review of controls in place to initigate fisks to inflist atisting from Brexit.	13					
		TOT	ſAL		543					

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# FIFE COUNCIL

# IJB Strategic Audit Plan 2019-24 and Operational Audit Plan 2019-2020

	Strategic Audit Plan 2019-24			Operational Pla	an 2019-2020
	Audit/Review	Location.	Frequency	Planned Carry Over	Planned Service
1	Basic Auditable Areas  Financial, e.g. payroll, expenses, purchases, income, etc.  Non-financial, e.g. general administration, information technology, staff recruitment, etc.  Risks: Because in these areas there are no risks specific to the IJB, they will be covered during each partner's routine reviews of its own controls.	Fife Council / NHS Fife	As set out in Fife Health Board and Fife Council's Audit Plans		As per Fife Council Audit Services & NHS Fife Operational Plan 2019-20
2	IJB Governance Corporate governance and accountability through review of standing orders and regulations including operation of committees and groups specific to the IJB.  Risks: The partner organisations and the IJB may be unclear about their responsibility and delegated authority.  2016 – Report to IJB 4/5/17	Health & Social Care	Once every 5 years.		

Strategic Audit Plan 2019-24			Operational Plan 2019-2020	
Audit/Review	Location.	Frequency	Planned	Planned

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	Strategic Audit Plan 2019-24			Operational Plan 2019-2020	
				Carry Over	Service
3	Strategic Plan  The IJB should work towards agreed strategic priorities with clear links to the Strategic Plan  The strategic plan should have clear links to the Plan for Fife, the national health and wellbeing outcomes for integration and the plans of the partner organisations.	Health & Social Care	Once every 3 years.		
	Risks: The partner organisations and the IJB may lack clarity as to how community planning arrangements should interlink, leading to inefficiency and possible duplication of effort.  2018 – IJB Report 3 (IJB Strategic Planning)				
4	Performance Indicators (PIs) and Outcome Measures  Audit covering Collection, Collation, Presentation and Monitoring of PIs and Outcome Measures. Assess the appropriateness and timeliness of performance information; verify its accuracy and that appropriate action is taken.  Risks: Accuracy & completeness of information presented. Provision of timely, appropriate and meaningful information, which informs interested parties and allows appropriate action.	Health & Social Care	Twice every 5 years.		

	Strategic Audit Plan 2019-24			Operational Pla	n 2019/2020
	Audit/Review	Location.	Frequency	Planned Carry Over	Planned Service
5	Financial Information  Audit covering Collection, Collation, Presentation and monitoring of Financial Information. Assess the appropriateness and timeliness of Financial information, verify its accuracy and that appropriate action is taken.  Risks:  Accuracy & completeness of information presented. Provision of timely, appropriate and meaningful information, which informs interested parties and allows appropriate action.  2016 – Report 449 (Financial Assurance)	Health & Social Care	Once every 3 years.		
6	Risk Management including Care Strategy  Assess each the IJB's risk management processes and confirm that there are no gaps in the risks identified.  Risks  All risks are not identified or assessed and/or appropriate controls are not introduced  2018/19 – Audit scheduled	Health & Social Care	Once every 5 years.	2018/19 audit ongoing	
7	Information Governance (including IT links between the Council and Health Service)  Assess the security arrangements for information as it relates to the IJB and ensure compliance with relevant statutes, e.g. FOI, Caldicott, IT security, Data Protection Act and records management including a communication strategy and agreeing	Health & Social Care	Once every 5 years.		

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	Strategic Audit Plan 2019-24			Operational Pla	an 2019/2020
	Audit/Review	Location.	Frequency	Planned Carry Over	Planned Service
	changes in service provision.			,	
	Risks:				
	Sensitive information is not secure and/or the IJB or either partner may face censure or bad publicity. Clear operational procedures for all staff to be readily available.				
	2018/19 Audit ongoing				
8	Transformation Programme	Health & Social Care	Once every 3 years		Audit due
	Consultancy – Governance and Risk Groups	Health & Social Care	As required		Time allocated
9	Post Audit Reviews/Follow-Up Audits	Health & Social	As Required	2018/19 audit	
	Check on self-assessment of implementation of agreed actions and review a sample of 10% of audits to ensure actions are implemented.	Care		ongoing	
	2018/19 Audit scheduled				

# Audit & Risk Committee Meeting



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	NHS Fife Risk Management Annual Report 2018 - 2019
EXECUTIVE LEAD:	Helen Buchanan
REPORTING OFFICER:	Pauline Cumming

Purpose of the Report (dele	ete as appropriate)	
		For Information

#### **SBAR REPORT**

#### **Situation**

This report provides a summary of risk management activities undertaken in 2018 - 2019.

#### **Background**

The report forms a component of the governance reporting arrangements for risk management as set out within the NHS Fife Risk Management Framework.

#### **Assessment**

A range of work carried out in the past year has contributed to the Board's management of risk including developments in the following areas:

- Board Assurance Framework
- Adverse events management and duty of candour
- Staff training
- Datix system

It is essential that there is an" effective and efficient framework in place to give sufficient and reliable assurance on organisational stewardship ..."

As a matter of priority key aspects of the Risk Management Framework require to be finalised or updated. These include:

- Articulation of the Board's risk appetite
- Agreement on risk management key performance indicators
- Clarification of the delegation of functions to the IJB and the implications for risk management, governance and assurance. In particular, the treatment of residual risks.
- Update of the Risk Register and Risk Assessment Policy GP/R7

This work will be completed in the next quarter.

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<sup>&</sup>lt;sup>1</sup> Assurance Frameworks, HM Treasury, December 2012

# Recommendation

• For Information

Objectives: (must be completed)				
Healthcare Standard(s):	To aid delivery			
HB Strategic Objectives:	Supports all of the Board's strategic objectives			

Further Information:			
Evidence Base:	N/A		
Glossary of Terms:	N/A		
Parties / Committees consulted	Executive Directors		
prior to Health Board Meeting:			

Impact: (must be completed)			
Financial / Value For Money	Promotes proportionate management of risk and thus effective and efficient use of scarce resources.		
Dick / Logoly	Inherent in process. Demonstrates due diligence. Provides		
Risk / Legal:	critical supporting evidence for the Annual Governance Statement.		
Quality / Patient Care:	NHS Fife's risk management system seeks to minimise risk and so support safe, effective, person centred delivery.		
Workforce:	The system arrangements for risk management are contained within current resource.		
Equality:	The arrangements for managing risk apply to all patients, staff and others in contact with the Board's services.		

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# **DRAFT**

# NHS Fife Risk Management Annual Report

2018-2019

File Name: NHS Fife Risk Management Annual	V 0.2	Date: 12/06/2019
Report 2018-19		
Author: Pauline Cumming, Risk Manager, NHS	Page 1 of 12	
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# 1. Purpose of Report

This report provides a summary of risk management activity during the period 2018 - 2019.

# 2. Fife Risk Management Framework

An updated Framework will be submitted to the Board in September 2019 following the completion of several pieces of work including:

- definition of the Board's risk appetite
- a review of the processes relating to the corporate risk register
- development of a suite of risk management key performance indicators
- update of the Risk Register and Risk Assessment Policy GP/R7
- clarification of the delegation of functions to the IJB and the implications for risk management, governance and assurance

## 3. NHS Fife Risk Registers

#### 3.1 Board Assurance Framework

Assurance is at the heart of the work of any organisation and as such, Board members must be confident that regardless of context, the organisation is delivering on its strategic objectives and managing risk while maintaining quality and safety across its services.

The NHS Fife Board Assurance Framework (BAF) brings together relevant information on the risks to the Board's strategic objectives. The BAF:

- Identifies and describes the key controls and actions to reduce or manage the risk
- Provides assurances based on relevant, reliable and sufficient evidence that controls are in place and having the desired effect
- Reflects links to performance reporting to the Board and committees
- Provides an assessment of current performance

Since its inception in November 2017, the BAF has continued to evolve. As previously reported, the BAF contains six risks. See Table 1.

Table 1		
BAF Risk	Standing Committee	
Financial Sustainability	Finance, Performance & Resources Committee	
Workforce Sustainability	Staff Governance Committee	
Environmental Sustainability	Finance, Performance & Resources Committee	
Quality & Safety	Clinical Governance Committee	
Strategic Planning	Clinical Governance Committee and Finance, Performance & Resources Committee	
Integrated Joint Board (IJB)	IJB	

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Each BAF risk is reviewed and updated regularly by the responsible Executive Director to ensure that its scope is current and comprehensive. The risks are reported bi monthly to the standing committee to which they are aligned; each is supported by a complementary SBAR report which provides the Director's assessment of the risk, and highlights key issues and questions for the committee to consider as part of its scrutinising function.

In the period under review, all BAFs have been reported to their respective standing committee (s) in line with reporting requirements.

BAF updates have been reported throughout the year to the Audit & Risk Committee and the Board in accordance with requirements.

# 3.2 Developments

The BAF was discussed at the Risk Management Board Development Session (BDS) on 31 October 2018 where members reflected on the BAF's implementation to date. There was consensus that it has allowed for greater transparency in the reporting of risks to the standing committees, generated more opportunities for scrutiny and challenge and has been a catalyst for useful discourse.

Members considered the scope of the current BAF and if any changes were required, with particular focus on the following:

#### 3.2.1 e Health BAF

The increasing reliance on e Health systems requires IT infrastructures and applications, and supporting capabilities and capacity to be fit for purpose and sustainable. As cyber hacking becomes more prevalent and sophisticated, the potential for malicious intrusion and its impact on critical services and patient safety systems intensifies the need for greater resilience and risk management.

e Health is already interwoven in the Strategic Planning BAF which is currently reported to the NHS Fife Clinical Governance and Finance, Performance & Resources Committees, and is a fundamental component of many projects. It was felt however, that in the current climate, there ought to be an overt focus on e Health risks and an e Health BAF should be developed.

Over the last 6 months, e Health colleagues have developed such a BAF; e Health - Delivering Digital and Information Governance & Security. This will be reviewed and approved by the NHS Fife Clinical Governance Committee in July 2019.

#### 3.2.2 IJB BAF

The above BDS of 31 October 2018 also concluded that in light of the complexities and work ongoing locally and nationally on health and social care integration, key stakeholders should review and further develop the IJB BAF. This process should include clearly identifying the specific issues that require to be within its scope and the key related mitigations.

# 3.3 Corporate Risk Register

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The BAF has largely superseded the corporate risk register as the key document subject to scrutiny at Committee and Board level. For the period 2018-19, the high level risks that the board needs to ensure are being managed, were reported bi monthly as linked operational risks to the governance committees as part of the BAF.

The processes relating to the corporate risk register are under review and will be clarified in September 2019 as part of the update of the Risk Management Framework. The Code of Corporate Governance will be updated as necessary thereafter to reflect the revised arrangements pertaining to the Corporate Risk Register.

#### 3.4 Operational Risk Registers

All of the key areas within the organisation maintain risk registers in Datix. Risks are reported and monitored at local and organisational levels, including through performance reviews and via clinical and clinical and care governance structures.

Risks with a current risk level of 20 or above must be escalated to the appropriate Executive Director to raise at Executive Directors' Group (EDG) for determination of any required action.

# 4. Risk Appetite

The subject of risk appetite was a key focus at the October 2018 BDS. It was recognised that as well as meeting the requirements imposed by corporate governance standards, organisations such as the Board must define their boundaries for risk taking.

The Chair of NHS Fife requested a Risk Appetite Short Life Working Group (SLWG) be set up with membership comprising the chairs of the standing committees, the Director of Nursing - Executive Lead for Risk Management, the Director of Estates, Facilities & Capital Services - Executive Lead for Health & Safety, the Employee Director, and the Risk Manager, NHS Fife.

The group's remit was to:

- Propose an approach to formalise the Board's appetite for risk
- Develop a set of risk appetite statements that set out the Board's strategic approach to risk-taking by defining its boundaries and risk tolerance
- Recommend the risk appetite statement to the governance committees and the Board for discussion and approval

#### **Progress to date**

To date the group has met twice on 30 January and 13 March 2019.

Following discussion of several options, members agreed to adopt the HM Treasury risk appetite definition and classification.

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### **Risk Appetite Definition**

"Amount and type of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time" 1

# Risk Appetite Classification <sup>2</sup>

Averse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risks.
Hungry	Eager to seek original/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

The group considered examples of risk appetite statements. An example offered by a NHS England Foundation Trust provided an 'at a glance' matrix which mapped risks and appetites against its strategic objectives. It was agreed to adopt this approach locally.

This involved using the existing NHS Fife Strategic Framework as the foundation for capturing our risk appetite and aligning the related strategic aspirations to the existing Board Assurance Framework (BAF) risk categories e.g. align Exemplar Employer to the Workforce Sustainability BAF; Person Centred & Clinically Excellent to the Quality and Safety BAF to and so on.

A template was developed containing the NHS Fife Strategic Framework objectives, strategic risks from the BAF, the areas of risk that might reasonably link to the BAF risk and fields to capture the related risk appetite. It was agreed that the content should be in Plain English and where possible should include info graphics to enhance understanding.

The SLWG considered how the work should be taken forward.

One option was to hold a BDS; an alternative proposed by non executive members was that some of the initial work could be done at the appropriate standing committee(s) with members asked to review the risks and apply a risk appetite classification to each. The outputs would then be discussed at a subsequent BDS and agreement reached thereafter on the Board's appetite for risk.

<sup>&</sup>lt;sup>2</sup> ibid

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 $<sup>^{\</sup>mathrm{1}}$  The Orange Book: Management of Risk- Principles and Concepts, HM Treasury, Oct 2004

The group agreed to adopt the latter suggestion; EDG concurred.

To date this approach has been tested at the Staff Governance Committee on 3 May 2019. Members were provided in advance with a briefing note on the definition and classification of risk appetite, why organisations should define their risk appetite and key features of a risk appetite statement. A facilitated discussion took place with members working through a sample risk appetite statement containing the strategic objectives relating to Exemplar Employer and the Workforce Sustainability BAF; they were then invited to suggest the most apt risk appetite classification.

#### **Next Steps**

Arrangements are being made to replicate this exercise with the Clinical Governance and Finance, Performance & Resources Committees. Thereafter a Board Development Session will be held to review the committee outputs and take steps to agree the Board's risk appetite.

# 5. NHS Fife Risk Register and Risk Assessment Policy GP/R7

The existing policy was due for review in December 2018. A comprehensive and meaningful update will follow completion of the work on risk appetite and the review of arrangements around the corporate risk register.

#### 6. The Management of Adverse Events

NHS Fife promotes adverse event reporting and management, and all events, regardless of the severity of harm and who or what is affected, are reviewed.

Over the last year, adverse events management has remained a key organisational priority.

The NHS Fife Adverse Events / Duty of Candour Group have oversight of local adverse events management. The group is chaired by the Board Medical Director. Its purpose is to:

- Coordinate and monitor the implementation of the HIS national framework for Scotland
- Oversee the development and implementation of local policy and guidance relating to the management of adverse events and
- Monitor performance in relation to significant adverse events against agreed measures

As previously reported, much of the Risk Management Team's capacity has been directed to support this priority.

Of note, the team continue to be instrumental in supporting the management of adverse events particularly those graded major and extreme. This involves administering the process around Significant Adverse Event Reviews (SAER). Additionally, either the Risk Manager or the Head of Quality and Clinical Governance is allocated to each SAER and provide senior manager coordination including attendance at meetings and the review of SAER reports and learning summaries.

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During 2018 -19, adverse event review (Root Cause Analysis) training was provided for staff involved in carrying out local and significant adverse event reviews. More than 100 staff attended the sessions delivered by the NHS Fife Risk Manager and the NHS Fife Health & Safety Manager.

Key pieces of work, some in collaboration with colleagues in the wider NHS Fife and Health and Social Care Partnership (HSCP) Clinical Governance teams are summarised below:

# 6.1 Adverse Events Policy GP/I9

Following the publication of the updated policy in March 2018, a further review took place in October 2018. This was done to ensure alignment with the 3rd edition of a national framework<sup>3</sup>. The subsequent amendments were designed particularly to strengthen the policy content on the reporting of non-clinical events involving staff or members of the public, amendments to the list of events that should be graded major or extreme and to take cognisance of the most up to date guidance on Organisational Duty of Candour<sup>4</sup>.

# 6.2 Reporting on Adverse Events

### Operational

To support operational ownership and oversight of adverse events, pre configured 'My Reports' have been set up in Datix to enable data to be extracted for users within the Directorates and Services to monitor incidents within their areas of responsibility. The Risk Management Team provides support and facilitation to enable staff to derive maximum benefit from this function and many other reporting functions available within Datix

# **Strategic**

The team provide EDG with a monthly report on major and extreme events that have occurred within the organisation; this includes information about events which have activated organisational Duty of Candour.

#### **Board**

The team produce the adverse events component of the bi monthly NHS Fife Quality Report which provides assurance to the NHS Fife Clinical Governance Committee and the HSCP Clinical and Care Governance Committee on the overall position in relation to delivering care that is safe, effective and person centred; this focuses on key themes for improvement as well as national and local priorities.

#### **National**

<sup>3</sup> Learning from adverse events through reporting and review: A national framework for Scotland. 3<sup>rd</sup> edition, Healthcare Improvement Scotland, July 2018.

<sup>4</sup> Organisational Duty of Candour guidance. The Scottish Government. March 2018

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In November 2018, the team contributed significantly to the Board's submission to the Healthcare Improvement Scotland (HIS) Quality of Care Approach - Quality of Care Organisational Review - Adverse Events Baseline Exercise Self-evaluation Tool.

# 6.3. Duty of Candour

Organisational Duty of Candour (DoC) for health and social care organisations in Scotland came into effect on 1 April 2018. The purpose of the duty is to ensure that organisations are open, honest and supportive when there is an unexpected or unintended adverse event resulting in death or harm, as defined in the Act.

The Risk Management Team was integral to supporting NHS Fife to implement DoC in the first year of operation and continues this work to date.

# 7. Risk Management Training

The Risk Management Team provide a range of training and ongoing support through generic or customised training e.g. for individuals, specialities and teams, and user guides.

During the period under review, training was delivered on the following topics:

- Adverse Event Review (Root Cause Analysis)
- Incident Reviewer/Approver
- Risk Registers
- Managing Safety Alerts
- Reporting from Datix
- Customised sessions for a range of services including Addictions, Adult Mental Health, Allied Health Professional (AHP) teams, District Nursing teams, Facilities team, Older Adult Mental Health, Primary Care Emergency Services (PCES) and Radiology
- In House Core Risk, health and safety

A range of Learnpro modules and user guides are available on the NHS Fife intranet.

#### 8. Sharing and Learning

Sharing lessons learned and improvements from adverse event reviews as well as from excellence in practice is vital. This is facilitated through the use of learning summaries, newsletters, departmental and divisional clinical and clinical and care governance meetings and Interspecialty Clinical Governance events.

Of note, the Risk Management Team contributed administrative and coordination support as well as a presentation on 'Datix: Past, present and future' to the NHS Fife Quality & Safety Event - Celebrating Success & Looking forward on 7 September 2018.

# 9. Datix Risk Management System

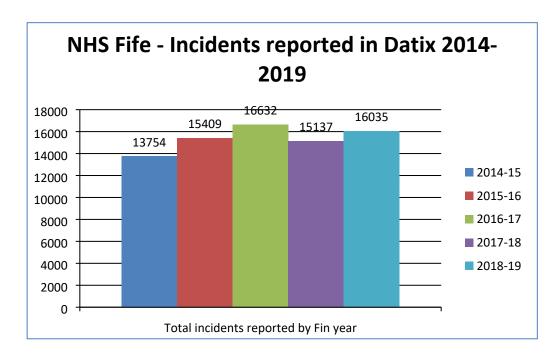
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Datix is the risk management software system used in the Acute Services Division and the East, West and Fife wide Divisions of the HSCP. It is the repository for risks, incidents, claims, safety alerts and complaints.

The system has more than 1100 registered users.

Currently there are 375 risks recorded in the system. As well as risks, around 16000 adverse events continue to be reported annually via DatixWeb and over 3000 complaints, suggestions, queries, concerns and compliments are logged via the Complaints module.



# 9.1 Developments

In the past year, a significant amount of work has been carried out on the Datix modules.

Following the acquisition of the Safety Alerts module, Datix is now used across NHS Fife for the management of safety alerts including medical device alerts, hazard notices and product recalls. To date 154 alerts have been added to Datix and distributed for action.

In addition, since January 2019, the Datix system has been adapted to enable local and national audits and service evaluations to be registered in one location and for data to be extracted and reports produced for various purposes e.g. to update Clinical / Clinical & Care Governance Committees, divisional groups and specialities, and to inform departmental and organisational priorities. This improvement replaces the former Clinical Effectiveness Register which was hosted by an external organisation and was a repository with no reporting functionality; to date 46 projects have been logged.

#### 9.2 Incidents Module

The Risk Management Team has worked with colleagues across the organisation to enhance incident reporting on specific topics and improve reporting options for incidents including:

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- Adult Protection
- Hypoglycaemia
- Information Governance & Security
- Self harm involving ligatures
- Pressure ulcers
- Sharps and
- Violence and aggression

The team has also carried out a major review of the 'Clinical' category which resulted in many older Datix sub categories being retired and others reorganised under more relevant Datix categories. This will assist staff to report more accurately against specific options and provide greater transparency of the category and sub-category of events reported.

#### Feedback on Incidents

The Risk Management Team continues to respond to feedback on Datix and takes every opportunity to improve system functionality and user satisfaction. All developments involve high levels of staff engagement to ensure they are fit for purpose.

The feature in the Incident module that enables automated email feedback to be sent to every incident reporter following incident review and closure continues to be well received. Datix issues approx 39 feedback emails per day to reporters.

### 9.3 Complaints Module

NHS Fife has continued to lead work in designing a method to record and analyse complaints elements in relation to the Nursing Excellence in Care standards. As previously reported, this work was adopted by several other NHS Boards and enables those using Datix to record Complaints, to additionally record individual elements related to specific staff groups, complaints themes and status, thus allowing a detailed analysis of nursing related complaints issues.

The Complaints module has also been further adapted over the last year to trial a new option for users wishing to report Learning from Excellence examples where excellent clinical care has been delivered. To date this initiative has been rolled out to the Orthopaedic and Renal inpatient areas. 85 reports have so far been submitted.

## 9.4 Staff Engagement

- The DatixWeb Feedback Newsletter, which reports on system changes and improvements is produced weekly and issued via email and the Intranet. The team regularly receives feedback on articles and features from the newsletter. There have been 250 issues to date.
- The NHS Fife Datix Users' Group set up in April 2017 is now well established with good levels of attendance. The agenda focuses on practical hints and tips for using Datix and themed presentations around specific issues.

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#### 10. Group & Committee Input

In 2018/2019, the Risk Management Team produced reports for several purposes including:

- Divisional Performance Reviews
- EDG Major and Extreme Adverse Event Status Report
- Integrated Performance Report
- Local Partnership Forum
- Quality Report
- · Point of Care Testing
- Safe Use of Medicines

The Team also provided data for and / or participated in the following groups:

#### Local

- NHS Fife Adverse Events and Duty of Candour Group
- NHS Audit & Risk Committee
- NHS Fife Brexit Working Group
- NHs Fife Capital Equipment Management Group
- NHS Fife Clinical Governance Steering Group
- NHS Fife Clinical Governance Committee
- NHS Fife Datix Users' Group
- NHS Fife Decontamination Group
- Fife Health & Social Care Partnership Health & Safety Forum
- NHS Fife Hospital Transfusion Committee
- NHS Fife Infection Control Committee
- NHS Fife Information Governance & Security Group
- NHS Fife Medical Gas Committee
- NHS Fife Tissue Viability Working Group
- NHS Fife Violence & Aggression Management Forum

#### **National**

- Datix Scottish User Group current chair is a NHS Fife Risk Management Coordinator
- HIS Adverse Events Network
- HIS Duty of Candour Short Life Working Group

#### 11. Other Activity

In 2018 - 19, the Risk Management Team supported other key pieces of work including:

- Input to the following Internal Audits:
  - B16/19 Management of Significant Adverse Events
  - B10/19 Policies and Procedures Safety Alerts
  - B22/19 Losses & Compensations

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- The Acute Servces Division Site Optimisation project
- Restructure of Datix to support changes in Women, Children and Clinical Services
- Major system upgrade and server move
- Provision of data to support responses to Freedom of Information requests

#### 12. Health and Social Care Integration

The Risk Management Team continues to work with HSCP colleagues to support the management of risk across the organisation.

#### 13. Risk and Control Evaluations (RACEs)

The RACEs tool was developed by Internal Audit as a guide to support the assessment of controls which mitigate to an acceptable level, key risks and control weaknesses that result in risk exposure. It is a key part of the internal audit field-work process. The tool is based heavily on Public Sector Internal Audit Standards (2013), section 2010 - Risk Management. A self assessment of current compliance is provided separately.

#### 14. Recommendations

The Audit & Risk Committee is asked to:

<u>review</u> the report

Helen Buchanan
Director of Nursing
Executive Lead, Risk Management, NHS Fife

20 June 2019

File Name: NHS Fife Risk Management Annual	V 0.2	Date: 12/06/2019
Report 2018-19		
Author: Pauline Cumming, Risk Manager, NHS	Page 12 of 12	
Fife		

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#### **Audit & Risk Committee**



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Patient Private Funds – Annual Report and Accounts for the year ended 31 March 2019
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)		
For Decision	For Discussion	For Information

#### **SBAR REPORT**

#### **Situation**

The Audit & Risk Committee, as part of its remit, is required to review the Receipts and Payments Accounts for Patients' Private Funds and to recommend their approval by the Board.

#### **Background**

The independent auditor (Thomson Cooper Accountants) provided an Audit Planning Memorandum which was previously noted by the Audit & Risk Committee.

#### **Assessment**

Thomson Cooper Accountants has concluded their audit of the financial statements of the Patients Private Funds. Attached to this paper are the following:

Attached to this paper are the following:

- a) Patients' Private Funds Receipt and Payment Account incorporating the Independent Auditor's unqualified opinion to the Board;
- b) Thomson Cooper's Audit Completion Memorandum incorporating the Report to Management
- c) NHS Fife's Draft Letter of Representation to the Auditors;

#### Recommendation

The Audit & Risk Committee is asked to:

- <u>review</u> the Patients' Private Funds Accounts;
- **invite** Thomson Cooper Accountant's to report on their audit of the financial statements
- recommend that the Accounts be approved by the NHS Board.

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Objectives: (must be completed)	
Healthcare Standard(s):	All
HB Strategic Objectives:	All

Further Information:	
Evidence Base:	NA
Glossary of Terms:	NA
Parties / Committees	
consulted prior to Audit & Risk	
Committee:	

Impact: (must be completed)	
Financial / Value For Money	Statutory requirement
Risk / Legal:	Statutory requirement
Quality / Patient Care: Workforce:	Financial governance of the Board is undertaken within the context of all aspects of patient care, workforce and equality



# FIFE HEALTH BOARD PATIENTS' PRIVATE FUNDS RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

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#### FIFE HEALTH BOARD

#### **PATIENTS' PRIVATE FUNDS**

#### YEAR ENDED 31 MARCH 2019

# STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Patients' Private Funds as at 31 March 2019. In preparing these accounts, the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where applicable accounting standards have not been followed where the effect of the departure is material.

The Health Board members are responsible for ensuring proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position to ensure that the Accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Government Health Directorates. They are also responsible for safeguarding the assets and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

Carol Potter	Director of Finance
 Paul Hawkins	Chief Executive
26 June 2019 	

# FIFE HEALTH BOARD PATIENTS' PRIVATE FUNDS

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF FIFE HEALTH BOARD

We have audited the financial statements of Fife Health Board Patients' Private Funds for the year ended 31 March 2019 set out on page 4. These financial statements have been prepared under the historical cost convention.

This report is made solely to the Board as a body. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective Responsibilities of Board and Auditors

As described in the Statement of Board Members' Responsibilities you are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Councils' (FRC's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

#### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Funds' Receipts and Payments Account for the year ended 31 March 2019.

Thomson Cooper Registered Auditor 3 Castle Court Carnegie Campus Dunfermline KY11 8PB

Date: 26 June 2019

# FIFE HEALTH BOARD PATIENTS' PRIVATE FUNDS

# RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

<b>2017/18</b> £		£	<b>2018/19</b> £
	RECEIPTS		
453,330 10,797 	Opening Balances: Cash in Bank Cash on Hand Other Funds	387,701 10,353 371	398,425
410,261 675	From or on behalf of Patients Interest on Patients Funds Accounts		415,847 -
875,848	TOTAL RECEIPTS	-	814,272
	PAYMENTS		
477,423	To or on behalf of Patients		309,862
387,701 10,353 371 398,425	Closing Balances: Cash in Bank Cash on Hand Other Funds	492,018 11,507 885	504,410
875,848	TOTAL PAYMENTS	-	814,272
399,713 1,288	Closing balances accounted for as: Patient Personal Accounts Credit Balances Less Debit Balances		504,544 134
398,425	TOTAL CLOSING BALANCE	-	504,410
	above abstract of Receipts and Payments is on that that the Register of Valuables has		
Director Finance		Date	
The above abstra June 2019 and do	act of Receipts and Payments was submitted uly approved.	at the NHS Board Me	eeting on 26
Chief Executive		Date	

# Fife Health Board Patients' Private Funds Audit Completion Memorandum





To the Board

**Audit of Accounts** 

Year Ended 31 March 2019

1/16

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#### Introduction

International Standard on Auditing 260 requires auditors to communicate by effective means, matters concerning an entity's audit to those charged with the governance of that organisation.

The first part of this process involved issuing the Board with an Audit Planning Memorandum prior to the commencement of the audit. The purpose of that report was to provide the Board (as those charged with the governance of Fife Health Board Patients' Private Funds) with information regarding:

- the planned audit approach;
- the proposed means and modes of communication throughout the audit assignment; and.
- to provide the Board with the opportunity to discuss the assignment and the audit approach prior to the commencement of audit field work.

The final part of this process is covered by issuing an Audit Completion Memorandum, and ensures that the communication process has been followed before, during, and at the end of the audit. This report sets out the following:

- the progress of the audit to date, including any issues identified during the fieldwork and any information that has been requested but not provided;
- a summary of key financial information relating to the Fund based upon the draft financial statements; and
- conclusions of the audit risks identified during the planning stage, and included within the Audit Planning Memorandum.

This report only covers items that have been identified during our audit testing and therefore does not include every possible issue relating to the Fund. In addition, we will only include those issues that we feel could have a material impact upon the Fund or our audit procedures. Items deemed as immaterial are therefore not included.

This report is addressed to the Board of Fife Health Board Patients' Private Funds and is intended for internal use only for the purpose of reviewing and finalising the audit of the financial statements for the year ended 31 March 2019. This report may not be reproduced in whole or in part without the prior, written consent of Thomson Cooper.

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#### **Audit Status**

#### **Fieldwork Progress**

Our audit fieldwork was undertaken by Billy Leith and Peter Ratomski between Tuesday 7th and Friday 10th May 2019.

All of the planned work was completed within this time frame, with no further fieldwork being required. Therefore, the fieldwork section of the audit is considered to be complete.

#### Issues Identified

The following is a summary of the key audit issues identified during the completion of our audit fieldwork:

#### Expenditure - Cheque Payment Requests (PF7)

As noted in previous years, from the sample selected for testing we noted that those relating to Cameron and Glenrothes Hospital did not note the patients' number on the PF7 forms. This means that reliance is placed on the patient's name and therefore there is the potential for the request to be allocated to the wrong patient account.

#### Expenditure – Monies Issued of <£50 (PF6)

From the sample of forms selected for testing we noted two instances relating to Queen Margaret where the "authorisation" box had not been signed on the form.

#### **Ward Visits**

This year we visited four wards at Lynebank, one at Cameron and one at Randolph Wemyss.

Please note that we had originally planned on visiting the Balgonie Ward at Cameron Hospital. However, when we arrived at the ward there was an ongoing medical incident, we were asked by the nurses to either come back on another day or choose a different ward to visit. We therefore decided to visit the Letham Ward at Cameron Hospital.

Based on discussions with NHS staff we are comfortable that there was no restriction in our audit scope. NHS staff gave us the opportunity to either revisit the Balgonie Ward at a later date of our choosing or to visit another Ward of our choice. We decided to choose another ward at random and selected the Letham Ward.

Although the value of patients' funds at the Balgonie Ward is low we would propose that we carry out checks on this ward next year.

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#### Audit Status (continued)

#### **Ward Visits (continued)**

#### **Disclaimer Notices**

Disclaimer notices were displayed in all of the wards visited at Cameron and Randolph Wemyss hospital.

At Lynebank disclaimer notices were displayed at all of the wards we visited apart from at Daleview ward. Based on our discussions with Ward staff we were advised that at all of the Wards copies were issued to patients or relatives on admission.

#### Security Arrangements over records

All wards visited kept their records in the nurses' station, which was locked when not in use. All cash and valuables were kept either in safes or lockable cupboards, but not all records were kept locked away, with some being kept on open shelves within the locked room.

#### Custody of Property

PF11 forms were not used at any of the wards we visited, however each ward visited did keep a separate record of patient's belongings within each individual patient files. The correct NHS brown envelopes were used at some of the wards at Lynebank while in others clear plastic wallets were used.

When we visited Cameron and Randolph Wemyss the wards were not currently in custody of any patient's property. The nurses confirmed that they were aware of the procedures in place should they have to look after any patients' valuables.

#### Recording of Income

All PF3 forms that were reviewed were completed correctly and sent to the cashier to ensure that the patient's accounts were updated.

#### **Recording of Imprest**

The cash on each ward at the time of our visit was counted and agreed back to the current PF6. All PF6 forms that were reviewed were completed correctly.

#### Recording of Specific Expenditure

All PF5 forms for expenditure requests for amounts in excess of £50 that were reviewed were completed correctly.

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#### Audit Status (continued)

#### **Ward Visits (continued)**

The Ward at Randolph Wemyss only had 2 PF5 forms available for inspection, both were reviewed and were completed correctly. It was confirmed by the Senior Charge Nurse that due to the patients who use the ward the use of PF5 forms is limited.

At the Ward at Cameron no PF5 forms were available for inspection. The Senior Charge Nurse at Letham confirmed that she was not aware of any PF5 form requests. It should be noted that there appeared to be a general lack of understanding of this form at this ward.

#### **Recording of Deaths and Discharges**

All available PF2 forms that were reviewed were completed correctly.

#### **Outstanding Information**

There is no information that was requested during the fieldwork that remains outstanding.

#### Assistance during Fieldwork

We would like to take this opportunity to express our thanks for all of the help and assistance that was given to our staff during the audit fieldwork.

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#### **Key Financial Information**

The accounts of the Fund are fairly straight forward. The Fund holds amounts in bank accounts being money held by the Board for or on behalf of patients.

At the beginning of the year the Fund held amounts on behalf of patients totaling £398,425.

During the year receipts from patients amounted to £415,847 (2018 - £410,261) and interest of £Nil (2018 - £675) was allocated between the funds.

After deducting payments and other withdrawals in the year of £309,862 (2018 - £477,423) the Fund held amounts on behalf of patients totaling £504,410 at the end of the year.

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#### Conclusion of Audit Risks Identified

#### Introduction

As set out in the Audit Planning Memorandum, our aim is to plan and perform sufficient audit work so as to ensure that detection risk is minimised and that the conclusion drawn regarding the truth and fairness of Fife Health Board Patients' Private Fund's financial statements is valid.

The risks below were identified at the planning stage and were based upon our initial discussions and a review of previous year's financial statements, prior to the commencement of the detailed planning work for the audit for the year ended 31 March 2019. Our response to these risks now that the audit fieldwork has been completed are summarised as follows.

#### Audit Risks Identified at Planning Stage

#### Security of Patients Funds

Due to the nature of the fund's assets i.e. cash, there is an increased susceptibility of the assets to loss through theft or misappropriation. A key focus of our audit will be the testing of the adequacy of the controls in place governing the security of patient funds on the wards.

#### **Response**

After reviewing the records for the year and after discussions with the Board we believe that there are adequate security and control arrangements in place.

#### **Compliance with Agreed Operating Procedures**

The Board has in place a series of control and authorisation procedures for patient funds which are documented in the Board's Financial Operating Procedure. This report details the various forms which should be used by staff in order to adequately record and control patient funds on the wards and is a key source of internal control. Our audit will include tests to assess the extent to which members of staff have adhered to the documented procedures, including visiting various hospital wards on a rotational basis.

We shall also consider any areas of potential non-compliance with procedures that were identified and communicated to the Board in the previous year's audit, and follow up with regard to how each item has been subsequently dealt with. In addition, where considered relevant, we will seek to re-visit any wards attended in the previous year where issues were identified to perform updated tests to re-assess the extent to which staff have been advised of the issues and have acted upon the recommendations.

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#### Audit Risks Identified at Planning Stage (cont'd)

#### Compliance with Agreed Operating Procedures (cont'd)

#### Response

After reviewing the records for the year end from completing our ward visits, we can confirm that the Financial Operating Procedures are being adhered to and there were no significant instances of non-compliance, of which we are aware. Issues identified during our ward visits are detailed on Page 2 of this Audit Completion Memorandum.

#### **Fraud**

The auditor's responsibility to consider the audit risk of fraud is laid down in ISA 240 "The auditor's responsibility to consider fraud in an audit of financial statements".

In accordance with ISA 200, 'the auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance'.

As part of the planning process, we are obliged to make enquiries of management and those charged with governance regarding:

- a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and
- d) Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- e) Whether Management have knowledge of any actual, suspected or alleged fraud affecting the entity.

We can confirm that if we identify any fraud or obtain information that indicates that a fraud may exist, we will communicate this to the appropriate level of management as soon as practicable. If the fraud involves management, employees who have significant roles in internal control or where the fraud results in a material misstatement in the financial statements, we will communicate these matters to the Board as soon as practicable.

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#### Audit Risks Identified at Planning Stage (cont'd)

#### Fraud (cont'd)

At the conclusion of our audit work, we will request written confirmation in our letter of representation that the Board acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and that it has disclosed to ourselves the results of its risk assessment and disclosed any instances or allegations of fraud which have arisen.

#### Response

After reviewing the records for the year we can confirm that no instances of fraud were identified during the audit. Confirmation will be sought from the Board to ensure that there are no instances of fraud of which we are unaware.

#### Audit Risks Identified During Fieldwork

We are pleased to report that during our audit fieldwork there were no additional audit risks identified as being required to be brought to the attention of the Board.

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#### Report to Management

#### **General Report**

#### Introduction

We have completed our audit of the financial statements for the year ended 31 March 2019 and set out below a summary of the matters which we believe should be brought to your attention. There are no significant matters to report and accordingly a separate management letter and report is not necessary.

#### Scope of our Report

The specific objective of our audit was to confirm whether the financial statements showed a true and fair view of the state of affairs of the Fund. We have prepared this report solely for use by the Board.

Our work cannot be expected to identify all weaknesses in your systems and procedures which a special investigation directed at the systems and procedures might reveal.

#### **Principal Findings**

We are pleased to report that in general, our audit testing revealed internal controls to be adequate, well designed and operating effectively.

The key issues that have been identified are brought to your attention on page 2 of this Audit Completion Memorandum.

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#### **Audit Adjustments**

#### Introduction

Audit adjustments can be summarised under 3 main categories:

#### 1. Provided to us during audit fieldwork

These adjustments are items that you identified in between providing the final period end figures upon which the audit has been planned and the completion of the audit fieldwork.

Examples include provisions for late invoices received and material post year end transactions that were not apparent before the commencement of the audit.

#### 2. Provided by Thomson Cooper during or after audit fieldwork

These adjustments are items identified by the Thomson Cooper staff during the preparation of the draft statutory financial statements which are required to be provided in order for the financial statements to show a true and fair view of the results for the period.

Examples include amendments to accruals and prepayments and reallocation of expenses.

#### 3. Unadjusted or additional proposed items after audit fieldwork

Unadjusted items would typically include adjustments that could have been made, however are deemed not material enough to justify their inclusion.

Examples would include small differences identified in bank reconciliations, sales or purchase ledger control financial statements.

Additional proposed items would normally relate to potential adjustments that have been identified by our audit staff that because of their materiality could impact upon the truth and fairness of the financial statements.

#### **Current Period Audit Adjustments**

There were no audit adjustments made.

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#### **Audit Report**

#### **Conclusions**

Based upon the information provided and the results of the audit fieldwork undertaken we anticipate issuing a clean audit report for the current financial period.

#### **Anticipated Audit Report**

The audit report that is anticipated to be included in the financial statements for the current financial period is contained within Appendix 2.

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#### **APPENDIX 1 – JOURNAL ADJUSTMENTS**

Note – there were no adjustments provided to us during our audit fieldwork or any adjustments required as a result of our audit fieldwork.

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#### APPENDIX 2 – ANTICIPATED AUDIT REPORT

A copy of the anticipated audit report, as referred to, is included on the following page. This is what is frequently referred to as a "clean" audit opinion and is in the format provided by the Financial Reporting Council.

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#### FIFE HEALTH BOARD PATIENTS PRIVATE FUND

INDEPENDENT AUDITORS' REPORT TO THE BOARD

OF FIFE HEALTH BOARD

#### **Opinion**

We have audited the financial statements of Fife Health Board Patients' Private Funds for the year ended 31 March 2019 set out on page 4. These financial statements have been prepared under the historical cost convention.

In our opinion, the financial statements give a true and fair view of the state of the Funds' Receipts and Payments Account for the year ended 31 March 2019.

#### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Respective Responsibilities of Health Board and Auditors section of our report. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements of the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Respective Responsibilities of Health Board and Auditors**

As described in the Statement of Health Board Members' Responsibilities you are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### **Use of Our Report**

This report is made solely to the Board as a body. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

Thomson Cooper Statutory Auditor 3 Castle Court Carnegie Campus Dunfermline KY11 8PB

Date: 26 June 2019

#### Fife NHS Board

Hayfield House Hayfield Road Kirkcaldy Fife KY2 5AH

Telephone: 01592 643355 Fax: 01592 648142

www.show.scot.nhs.uk



Thomson Cooper Statutory Auditors 3 Castle Court Carnegie Campus Dunfermline Fife Date Your Ref Our Ref 26 June 2019

Enquiries to Mrs C Potter
Extension Ext 28140
Direct Line 01592 648140

Email carolpotter2@nhs.net

#### Dear Sirs,

**KY11 8PB** 

This representation letter is provided in connection with your audit of the financial statements of Fife Health Board Patients' Private Funds for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Fife Health Board Patients' Private Funds as of 31 March 2019 and of the results of its operations for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice.

We acknowledge our responsibility for the fair presentation of the accounts in accordance with United Kingdom Generally Accepted Accounting Practice.

We confirm to the best of our knowledge and belief, the following representations:

#### 1. General

We acknowledge as Board Members our responsibilities for preparing financial statements which give a true and fair view and for making accurate representations to you. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including Minutes of Board Meetings, have been made available to you.

#### 2. Going Concern

We believe that the Fund's financial statements should be prepared on a going concern basis. We have considered a period of twelve months from the date of the approval of the financial statements. We believe that no disclosure relating to the Fund's ability to continue as a going concern need be made in the financial statements.













#### 3. Loans and arrangements

The Fund has not had, or entered into, at any time during the period any arrangement, transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for Board Members or to guarantee or provide security for such matters.

#### 4. Transactions with related parties

All transactions with related parties have been disclosed in the financial statements. We have made available to you all relevant information concerning such transactions and are not aware of any other matters, which require disclosure in order to comply with the requirement of the Financial Reporting Standard 102.

#### 5. Law and regulations

We are not aware of any irregularities involving Board Members or employees of the Fund: nor are we aware of any breaches or possible breaches of statute, regulations, contracts or agreements which might prejudice the going concern status or that might result in the Fund suffering significant penalties or other loss. No allegations of such irregularities or such breaches have come to our notice.

#### 6. Fraud

We acknowledge our responsibility for the design and implementation of internal controls and procedures to prevent and detect fraud. We have disclosed to you any actual or suspected fraud involving management, employees with significant roles in internal controls, and all instances where the fraud could have a material effect on the financial statements.

#### 7. Post-balance sheet events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

Yours faithfully	
	Carol Potter Director of Finance
	Paul Hawkins Chief Executive
26 June 2019	

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#### **Audit & Risk Committee**

DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Endowment Funds – Annual Report and Accounts for the year ended 31 March 2019
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)	
	For Assurance

#### **SBAR REPORT**

#### **Situation**

The Endowment Sub Committee provides oversight of the Fife Health Board Endowment Fund Annual Accounts on behalf of the Endowment Fund Trustees, and recommends their approval by the Board or Trustees. However, as the endowment accounts are subject to consolidation with the NHS Fife exchequer accounts, there is an important governance role for the Audit & Risk Committee of NHS Fife to have sight of the endowment fund accounts as part of their overarching responsibility for the scrutiny of the Board's accounts.

#### **Background**

The independent auditor (Thomson Cooper Accountants) provides an Audit Planning Memorandum which sets out their scope of work.

#### **Assessment**

Thomson Cooper Accountants has concluded their audit of the financial statements of NHS Fife's Endowment funds. Attached to this paper are the following:

- a) Accounts for the year ended 31 March 2019, including Thomson Cooper's unqualified report;
- b) Draft Letter of Representation from the Trustees to Thomson Cooper;
- c) Thomson Cooper's Audit Completion Memorandum incorporating the Report to Management

#### Recommendation

The Audit & Risk Committee is asked to:

- review the Endowment Fund Accounts;
- note Thomson Cooper Accountant's to report on their audit of the financial statements
- <u>note</u> the Endowment Sub Committee meets on 20 June 2019 where they will be invited to recommend approval by the Board of Trustees (a verbal update will be provided to members as the Endowment Sub Committee is immediately prior to the Audit & Risk Committee)

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Objectives: (must be complet	ed)
Healthcare Standard(s):	All
HB Strategic Objectives:	All

Further Information:		
Evidence Base:	NA	
Glossary of Terms:	NA	
Parties / Committees		
consulted prior to Audit & Risk		
Committee:		

Impact: (must be completed)	
Financial / Value For Money	Statutory requirement
Risk / Legal:	Statutory requirement
Quality / Patient Care:	Financial governance of the Board is undertaken within the context of all aspects of patient care, workforce and equality









# FIFE HEALTH BOARD ENDOWMENT FUND

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Scottish Charity Number: **SC011988** 





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# REPORT OF THE TRUSTEES

# REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2019

The Trustees present their Report, together with the accounts for the year ended 31 March 2019. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) published on 16 July 2014.

#### **Objectives and Activities**

The Fund exists for the benefit of the

patients in Fife, the staff of Fife Health Board and the staff and students of the former Fife College of Nursing, now Dundee University School of Nursing and Midwifery. Some are for specific purposes and certain Funds are held for individual wards and departments. There are no specific restrictions on the General Funds held by the Board other than the principle of providing for the benefit of patients and staff.

All Executive and Non Executive Directors of the NHS Board are Trustees of the Endowment Fund, which is a charitable fund administered separately from Exchequer and Commercial income and used for improvements in patient care, research, and improvements in patient and staff welfare. There have been no changes in objectives since the last annual report.

# Achievements and Performance Business Review and Plans for the Future

The purpose of the Board's Endowment Fund is outlined in the Fife Health Board Endowment Funds Constitution; the most

recent review and update being approved by Trustees in December 2018.

The Trustees adopt the NHS Fife Code of Corporate Governance including Standing Financial Instructions and Scheme of Delegation as the framework for financial governance of the charity. In addition the NHS Fife Financial Operating Procedures provide information on the overall management of the Endowment Funds and includes how they can be used.

In line with the Constitution, expenditure on large or novel projects will be considered by the Board of Trustees. Trustees actively encourage Fund Managers to utilise the Endowment Funds that they manage for the benefit of patients and staff appropriately. This has been enhanced with the introduction of a grants programme, which continues to be reviewed and developed for a further launch over the coming year.

The Board of Trustees is supported by an Endowment Sub Committee, with a range of delegated functions including the monitoring of income, expenditure and investment performance. During 2018/19, the Board of Trustees reviewed the overall governance for charitable funds, including the approach to the management and oversight of endowments funds as well as the supporting business model. Over the coming year, Trustees will be supported by a new Charity Manager, who will develop long term fundraising and disbursement strategies, with an annual operational business plan, to support the improvement of people's health and the transformation of health and care in Fife. This work will also reflect any additional best practice or guidance emerging from the reviews undertaken by the Office of the Scottish Charity Regulator (OSCR) and Scottish Government Health & Social Care Directorates.

The Endowment Fund is now subject to consolidation with NHS Fife Exchequer.

#### **Financial Review**

#### Income:

During the year the value of donations, gifts and legacies totalled £947,000. Income from donations was £345,000 and income from legacies was £602,000. Investment income was £478,000 to provide a total income figure of £1,425,000.

#### **Expenditure**

A great many initiatives have benefitted from contributions from the Fife Health Board Endowment Fund in the last year.

There was a substantial increase in allocations in 2018/19 with a total of £1,256,000 granted, up from £681,000 in 2017/18. This reflects the increase in projects undertaken and completed in the year, many of which were only made possible by funding from the Endowment Grant Programme launched in the previous financial year.

A wide variety of projects were funded in whole or in part by endowment allocations, benefiting staff, patients and visitors alike. A sample of some of the projects supported is provided below:-

- Hospice Gardens Two projects received a combined funding of more than £70k to improve the outdoor spaces in our hospices. A community project transformed an unused courtyard area at Queen Margaret Hospital into a dedicated garden, whilst at the Victoria Hospice in Kirkcaldy the gardens were enhanced to create a more therapeutic environment for the benefit of patients, relatives and staff.
- Premature Baby Simulator Only 7
   of the 3,200 babies born in Fife were
   delivered at less than 28 weeks, making
   it difficult to maintain and hone the skills
   necessary to provide the complex and
   intensive care such infants require. The

neonatal team at the Victoria Hospital in Kirkcaldy became the first in the UK to take delivery of an advanced preterm baby simulator following a contribution of £45k from the Endowment Fund, enabling the clinical team to regularly sharpen their skills by carrying out realistic training exercises in real time.

- Endobronchial ultrasound equipment

   Endobronchial ultrasound (EBUS) is a minimally invasive but highly effective procedure used to diagnose lung cancer, infections, and other diseases causing enlarged lymph nodes in the chest.
   The Endowment Fund provided around £150k to enable the creation of an Endobronchial ultrasound service in Fife, removing the need for patients to travel outwith the Kingdom to access such diagnostic services.
- Accuvein Finder The Acute Medical Service at the Victoria Hospital admits more than 20,000 patients each year, with the vast majority of patients having to undergo often painful venepuncture or intravenous cannulation. The Endowment Fund enabled the purchase of 3 Accuvein finders which allows clinicians to use infrared light to identify the location of veins with relative ease.
- Dementia Friendly Recovery Area A new recovery area recently opened at the Victoria Hospital aimed at minimising the anxiety of patients with dementia and cognitive impairment as they wake from surgery. Local artist Karen Masters was commissioned to create a piece of art within the surgical recovery area which provides a calming distraction and reduces anxiety and distress for such patients. The project cost around £1,100 to complete with the finance granted from Fife Health Board Endowment Fund.
- Bereavement Bags NHS Fife's Bereavement Group supports the

delivery of safe, effective and personcentred care before and after death. The group recently developed the concept of 'bereavement bags', which were to be used to return a deceased person's belongings to their loved ones friends after a death in hospital. Following a £4k contribution from the Endowment Fund, the Bereavement Group were able to turn the concept into reality.

 Research and Development – More than £100k was provided by the Fife Health Board Endowment Fund to support local research projects. One such initiative was the Electra Project, which received more than £40k to support its work in the prediction and prevention of fatal and non-fatal drug overdose episodes in opioid dependant individuals.

#### **Investments**

Investments are included in the financial statements at market value. The value of the portfolio has increased in the year. The fund had unrealised gains on the portfolio which amounted to £526,000 and realised gains on investments sold of £54,000.

The Trustees confirm that the assets are available and adequate to fulfil the objectives of the charity.

#### **Principal Funding Sources**

The principal funding sources continued to be a combination of charitable donations received and dividends and interest received from the investment portfolio.

#### **Reserves Policy**

The Trustees are conscious of the need to hold reserves in order to be able to generate sufficient investment income to meet grant commitments each year. The Trustees believe that the current level of reserves is sufficient for this purpose but not excessive.

#### **Grant Programme**

Additional funds have been made available to achieve the objective of the Fund through a grants programme which was initiated in the previous financial year.

# Structure, Governance and Management

#### **Governing Document**

The Inland Revenue recognised the Endowment Fund as a "charity" for the purpose of Section 505, Income and Corporation Taxes Act 1988. The Endowment Funds are held on trust under Section 82 of the National Health Service (Scotland) Act 1978. In accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 the Fund is entitled to describe itself as a "Scottish Charity". The Scottish Charity number is SC011988.

#### **Recruitment and Appointment of Trustees**

All appointed Board Members are automatically appointed as the Trustees for the Endowment Funds.

The Trustees exercise power over investment decisions and ensure the appropriate use of Endowment Funds through the Board of Trustees. The Board of Trustees is chaired by the Fife Health Board Chair and comprises all Fife Health Board Members.

The Trustees express their grateful acknowledgement for the donations made by many individuals and organisations who, by gift, bequest or fundraising have contributed to these Funds.

#### Trustee Induction and Training

Trustees are provided with regular updates and dedicated time is set aside for briefing as appropriate. The Trustees are also encouraged to attend conferences and courses to further enhance their understanding of their responsibilities.

#### **Risk Management**

The Trustees have conducted their own review of the major risks to which the charity is exposed and systems have been established to mitigate those risks. Significant external risks to funding have led to the appointment of professional advisers to oversee the management of the investments. Internal risks have been minimised by the introduction of financial controls on authorising of expenditure and strict budgetary control.

All Trustees signed a mandate which states that they can act in an official capacity. In addition the Trustees have signed a "fit and proper persons" declaration to ensure that charity funds and tax reliefs are used only for charitable purposes.

#### **Investment Policy**

During 2018/19, the investments were managed by Investec Wealth & Investment Ltd, who took a controlling interest in Rensberg Sheppards Investment Management Ltd in June 2011. A report from Investec Wealth & Management Ltd was provided to members of the Sub Committee to provide professional advice and to inform Trustees of current and future trends in the market. In managing the investments, Investec reflected the Trustees' long-standing policy to exclude investment in companies directly involved in the tobacco industry and to consider the appropriateness of investment in industries whose products have the potential to be detrimental to health, and the broader principle of Ethical Investment.

Following a detailed procurement process, Standard Life Wealth was formally appointed by Trustees in June 2018, to manage the future investment of the Board's endowment funds. At 31 March 2019, the transfer of funds was in progress but had not concluded. As part of the transfer to Standard Life Wealth, the Board of Trustees

formally approved an updated investment policy statement to guide the activities of the investment managers. The approved Investment Policy Statement was approved in October 2018 and confirms the financial objective of the fund is to at least maintain the real value of assets whilst generating a stable and sustainable income to fund the Charity's activities. Trustees require an investment approach which seeks to achieve an optimal total return of capital growth and income over a period of time, based on a medium-high risk profile of investment across equities, bonds and cash. In respect of economic, social and governance factors, Trustees require investments to be limited to those acceptable under the Charities and Trustee Investment (Scotland) Act 2005.

The Trustees accept the need for environmental, social and governance (ESG) issues to be taken seriously and reflected in where the Charity's assets may be invested.

The following investment restrictions have been agreed by Trustees, as they feel these would be in direct conflict with the Charity's objectives:

- Tobacco: No direct investment in tobacco production (i.e. exclude the tobacco sector)
- Alcohol: No direct investment in a company that manufactures alcoholic products.
- Armaments: No direct investment in armaments (i.e. exclude the aerospace & defence sector)
- Predatory Lending: No direct investment in a company providing any pay day loan services.
- Exploitative Practices: No direct investment in companies that have severe or very severe controversies related to child labour within its own operations or within the supply chain. No direct investment in companies that have moderate, severe or very severe

### **Report of the Trustees**

controversies related to the impact of a firm's operations on human rights.

It will therefore be reasonable for Trustees to exclude investments:

- that are obviously directly contrary to the Board's objectives;
- where failing to exclude would mean a financial loss, e.g. through a fall in the level of legacies and donations; and
- as long as the remaining portfolio is

sufficiently diverse and robust to achieve satisfactory performance.

Trustees must at all times act in the best interests of the Fund, and not pursue their own ethical beliefs.

The Trustees agreed to the establishment of a Sub Committee to give detailed consideration of investment policy and performance.

### **Report of the Trustees**

#### **Reference and Administrative Information**

The Trustees who served during the year were as follows: -

**Chair** Mrs T Marwick

**Trustees:** Mrs C Potter

Mrs W Brown Mr P Hawkins

Mr S Little Until 24 October 2018

Ms J Owens Dr L Bissett Ms R Laing

Dr F Elliot Until 28 February 2019

Mr M Black Mrs C Cooper

Dr M Hannah Until 2 September 2018

Ms H Wright Mr E Clarke Mrs M Wells Cllr D Graham

Ms S Braiden From 1 August 2018
Dr C McKenna From 1 March 2019
Ms D Milne From 3 September 2018

**Auditors** Thomson Cooper

3 Castle Court Carnegie Campus Dunfermline Fife, KY11 8PB

Bankers Bank of Scotland

9 Falkland Gate Glenrothes Fife, KY7 5LW

Investment Managers Investec Wealth & Management Ltd

Quartermile One 3rd Floor

15 Lauriston Place Edinburgh, EH3 9EN

**Registered Office** Hayfield House

Hayfield Road Kirkcaldy Fife, KY2 5AH

**Charity Registration Number** SC011988

Tax Reference CR41403

### **Report of the Trustees**

#### Statement of Trustees Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources for that year. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102)
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is

inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

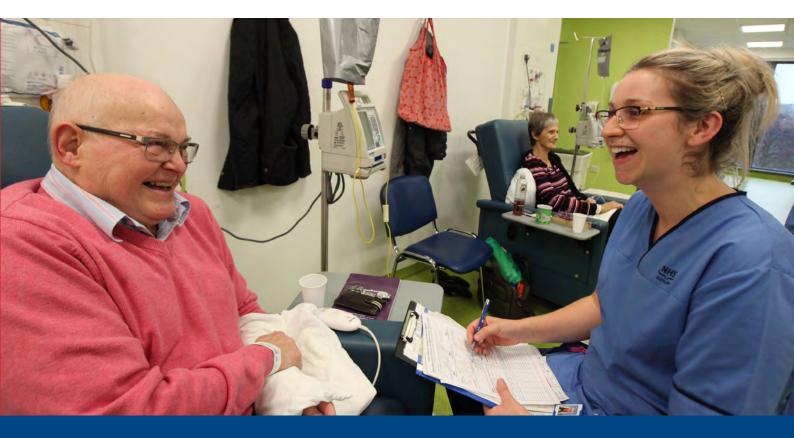
#### Statement of Disclosure to the Auditor

In so far as the Trustees are aware:

- there is no relevant audit information of which the charity's auditors is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Trustees and signed on its behalf by:

Tricia Marwick Chair 26 June 2019 Carol Potter
Director of Finance
26 June 2019



# **INDEPENDENT AUDITORS' REPORT**

#### **Opinion**

We have audited the financial statements of Fife Health Board Endowment Fund (the 'charity') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom

Generally Accepted Accounting Practice; and

 have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements of the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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# **Independent Auditors Report**

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we

are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board's Annual Report has been prepared in accordance with applicable legal requirements.

# Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page

### **Independent Auditors Report**

10, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

# Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act and report in accordance with those Acts and relevant regulations made or having effect there under. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <a href="https://www.frc.org.uk/auditorsresponsibilities">www.frc.org.uk/auditorsresponsibilities</a>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

# Alan Mitchell (Senior Statutory Auditor) for and on behalf of Thomson Cooper, Statutory Auditor Accountants Dunfermline 26 June 2019

Thomson Cooper is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# STATEMENT OF FINANCIAL ACTIVITIES

# STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2019 Total Funds £'000	2018 Total Funds £'000
Income and endowments from:					
Donations and legacies	4	111	836	947	513
Investment income	5	66	412	478	463
Total income		177	1,248	1,425	976
Expenditure on:					
Raising funds	7	5	32	37	38
Charitable activities	8	498	721	1,219	643
Total expenditure		503	753	1,256	681
Net income/ (expenditure) and net movement in funds before gains and losses on investments		(326)	495	169	295
Net gains/(losses) on investments	12	80	500	580	(245)
Net income		(246)	995	749	50
Other recognised gains/(losses): Gains/(losses) on revaluation of fixed assets	11	-	2	2	3
Net movement of funds		(246)	997	751	53
Reconciliation of Funds Total funds brought forward		3,989	8,508	12,497	12,444
Total funds carried forward		3,743	9,505	13,248	12,497

The Statement of Financial Activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing operations. The notes on pages 17 to 26 form part of these financial statements.

# **BALANCE SHEET**

#### **BALANCE SHEET AS AT 31 MARCH 2019.**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2019 Total Funds £'000	2018 Total Funds £'000
Fixed Assets:					
Tangible fixed assets	11	33	84	117	115
Investments	12	3,510	8,913	12,423	12,087
Total fixed assets		3,543	8,997	12,540	12,202
<b>Current Assets:</b>					
Debtors	13	150	382	532	15
Cash at bank and in hand		75	188	263	335
Total current assets		225	570	795	350
Liabilities: Creditors falling due within one year	14	(25)	(62)	(87)	(55)
Net Current Assets		200	508	708	295
<b>Total Net Assets</b>		3,743	9,505	13,248	12,497
The Funds of the Charity:					
Unrestricted Funds	15	3,743	-	3,743	3,989
Restricted Funds	16	-	9,505	9,505	8,508
<b>Total Charity Funds</b>		3,743	9,505	13,248	12,497

The financial statements were approved by the Trustees on 26 June 2019 and signed on their behalf by:

**Tricia Marwick**Chair

**Carol Potter**Director of Finance

The notes on pages 17 to 26 form part of these accounts

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# STATEMENT ON CASH FLOWS

#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £′000	2018 £'000
Net cash used in operating activities	21	(794)	(207)
Cash flows from investing activities:			
Dividends and interest from investments		478	463
Proceeds from sale of investments		500	962
Purchase of investments	_	(256)	(1,141)
Cash provided by (used in) investing activities	_	722	284
Increase/(decrease) in cash and cash equivalents in the year	_	(72)	77
Cash and cash equivalents at the beginning of the year	-	335	258
Total cash and cash equivalents at the end of the year	·	263	335

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# NOTES FORMING PART OF THE ACCOUNTS

#### 1. Accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### (a) Basis of Preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity.

#### (b) Funds Structure

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

#### (c) Income Recognition

All incoming resources are recognised when the charity has entitlement to the funds, any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

No amount is included in the financial statements for volunteer time in line with the SORP (FRS 102). Further detail is given in the Board's Annual Report.

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received. At this point income is recognised. On occasion legacies will be notified to the charity however it is not possible to measure the amount expected to be distributed. On these occasions, the legacy is treated as a contingent asset and disclosed.

Investment income is earned through holding assets for investment purposes such as shares, and includes dividends and interest. Investment management costs incurred are shown separately as they can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

#### (d) Expenditure Recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Cost of raising funds comprises the investment management costs.
- Expenditure on charitable activities comprises those costs incurred by the charity in the
  delivery of its activities and services for its beneficiaries, including the improvement of
  staff and patient welfare, and their associated support costs.
- Other expenditure (where relevant) comprises costs not falling into any other heading.

Where possible, expenses are attributed directly to the Fund to which they relate. Where this is not possible, they are apportioned on the basis of Fund size.

#### (e) Allocation of Support and Governance Costs

Support and governance costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include office costs, payroll and audit fees and are incurred directly in support of expenditure on the objects of the charity. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support and governance costs have been allocated are on a direct basis or as a proportion of time spent.

#### (f) VAT

Government departments including the NHS can recover VAT on contracted-out services provided the conditions on the refund schemes are met.

#### (g) Operating Leases

The total cost of assets held under operating leases is charged to the profit and loss account as they fall due.

#### (h) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life.

The NHS Fife Endowment Art Collection is valued as per the details contained within the Board's Art Catalogue. Purchased or donated items in the art collection are not depreciated.

#### (i) Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments, where applicable, are measured at cost less impairment.

Investments are apportioned to Funds based on the value of the Fund at the year end.

#### (j) Realised Gains and Losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

#### (k) Debtors

Trade and other debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid net of any discounts due.

#### (I) Cash at Bank and in Hand

Cash at bank and cash in hand includes cash and all amounts held within bank current and deposit accounts.

#### (m) Creditors and Provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any discounts due.

#### (n) Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Investments in shares which can be publicly traded and be measured at fair value (market value).

#### 2. Taxation

As Fife Health Board Endowment Fund is recognised by HMRC as a charity, there is no liability to taxation.

#### 3. Auditor's remuneration

	2019	2018
	£′000	£′000
Audit fees	9	9

#### 4. Income from donations and legacies

	2019	2018
	£′000	£′000
Donations and gifts	345	367
Legacies	602	146
	947	513

Income from donations and legacies was £947,000 (2018: £513,000) of which £836,000 (2018: £446,000) was attributable to restricted and £111,000 (2018: £67,000) was attributable to unrestricted funds.

#### 5. Investment income

	2019 £'000	2018 £'000
Dividends received	427	422
Interest received	51	41
	478	463

Income from investments was £478,000 (2018: £463,000) of which £412,000 (2018: £315,000) was attributable to restricted and £66,000 (2018: £148,000) was attributable to unrestricted funds.

#### 6. Donated goods, facilities or services

The charity benefits greatly from the involvement and support of its volunteers, details of which are given in the annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.

#### 7. Analysis of expenditure on raising funds

	Patient Welfare £'000	Staff Welfare £'000	College of Nursing £'000	Total 2019 £'000	Total 2018 £'000
Investment management costs	35	-	2	37	38
	35	-	2	37	38

Expenditure on raising funds was £37,000 (2018: £38,000) of which £32,000 (2018: £26,000) was attributable to restricted and £5,000 (2018: £12,000) was attributable to unrestricted funds.

#### 8. Analysis of expenditure on charitable activities

	Patient Welfare £'000	Staff Welfare £'000	College of Nursing £'000	Total 2019 £'000	Total 2018 £'000
Salaries & Professional Fees	283	-	-	283	37
Administration Charges & Supplies	17	-	-	17	33
Property Development & Maintenance	110	-	-	110	43
Christmas Expenditure	23	16	-	39	36
Equipment	540	-	-	540	195
Functions & Conferences	86	-	-	86	149
Patient Activity	75	-	-	75	87
Governance costs (Note 9)	57	-	3	60	54
Support costs (Note 9)	9	-	-	9	9
	1,200	16	3	1,219	643

Expenditure on charitable activities was £1,219,000 (2018: £643,000) of which £721,000 (2018: £481,000) was attributable to restricted and £498,000 (2018: £162,000) was attributable to unrestricted funds.

#### 9. Analysis of governance and support costs

The charity initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between its key charitable activities undertaken (see Note 8) in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

	Basis of Apportionment	Support Costs £'000	Governance Costs £'000	Total 2019 £'000	Total 2018 £'000
Recharge Of Relevant Salaries	Time spent	-	60	60	54
<b>Audit Services</b>	Direct cost	9	-	9	9
	-	9	60	69	63

# 10. Analysis of staff costs and trustee and key management remuneration and expenses

The Endowment Fund has no employees, therefore no employee received emoluments in excess of £60,000 during the year (2018 – nil).

The salaries and professional fees (Note 8) represent fees paid for professional services from companies and individuals external to NHS Fife. The recharge of relevant salaries included within Governance costs (Note 9) relate to the cost of NHS staff time spent administering the Endowment Fund. The cost relates to staff time recharged to the Endowment Fund, as the Endowment Fund itself has no employees.

The charity considers its key management personnel comprise the Trustees. None of the Trustees have been paid any remuneration or received any other benefits from employment with the charity.

No Trustee expenses have been incurred in the current and previous year.

#### 11. Tangible fixed assets

Ti. Tuligible lixed ussets	Art Collection £'000
Cost or valuation	
At 1st April 2018	115
Additions	2
Disposals	
At 31st March 2019	117
Depreciation At 1st April 2018 and 31st March 2019	
Net Book Value	
At 31st March 2019	117
At 31st March 2018	115

#### 12. Investments

	2019 £'000	2018 £'000
Market value brought forward at 1st April 2018	12,087	12,153
Additions to investments at cost	256	1,141
Disposals at carrying value	(500)	(962)
Realised gains/(losses)	54	33
Unrealised gains/(losses)	526	(278)
Market value at 31st March 2019	12,423	12,087
Investments at fair value comprised: Equities Fixed interest securities Total	11,429 994	11,098 989
Iotal	12,423	12,087

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value). Cash held within the investment portfolio is shown within "Cash at bank and in hand" and is therefore not included within the value of investments.

The significance of financial instruments to the ongoing financial sustainability of the charity is considered in the financial review and investment policy and performance sections of the Trustees Annual Report.

#### 13. Debtors and prepayments

	2019 £'000	2018 £'000
Tax Recoverable	1	1
Legacy Receivable	513	-
Fife Health Board	-	-
Other Debtors	18	14
	532	15

#### 14. Creditors falling due within one year

	2019 £'000	2018 £'000
Trade Creditors	20	8
Audit Fee	9	9
Portfolio Management Fee	9	10
IR35	10	6
Fife Health Board	39	22
	87	55

#### 15. Unrestricted Funds

	Balance at 01/04/18 £'000	Incoming Resources £'000	Outgoing Resources £'000	Gains and Losses £'000	Balance at 31/03/19 £'000
		2 000	2 000	2 000	
General Fund	3,989	177	(503)	80	3,743

#### 16. Restricted Funds

The charity has 371 individual restricted funds, which for the purposes of the accounts are grouped together into five main categories, and further subcategorised by either location or type of care.

	Balance at 31/03/18 £'000	Incoming Resources £'000	Outgoing Resources £'000	Gains and Losses £'000	Balance at 31/03/19 £'000
<b>Acute Services Division</b>					
Victoria Hospital	2,496	302	(221)	121	2,698
Queen Margaret Hospital	1,224	161	(108)	65	1,342
Diabetic	560	69	(50)	28	607
Cardiology	610	81	(54)	33	670
Glaucoma	41	3	(4)	1	41
Other	68	7	(6)	3	72
	4,999	623	(443)	251	5,430

	Balance at 31/03/18 £'000	Incoming Resources £'000	Outgoing Resources £'000	Gains and Losses £'000	Balance at 31/03/19 £'000
Community Services Division – Fife Wide					
Stratheden Hospital	96	4	(8)	1	93
Whyteman's Brae Hospital	15	1	(1)	-	15
Queen Margaret Hospital	53	9	(5)	4	61
Lynebank Hospital	22	4	(2)	1	25
Fife Rheumatic Disease Unit	63	1	(6)	1	59
Nutrition & Dietetic	74	10	(7)	4	81
Other	92	12	(8)	4	100
	415	41	(37)	15	434
Community Services Division – East Fife					
Adamson Hospital	196	25	(17)	7	211
Cameron Hospital	173	24	(15)	10	192
Glenrothes Hospital	68	1	(6)	1	64
Randolph Wemyss Hospital	5	5	-	2	12
St Andrews Community Hospital	135	9	(12)	4	136
Other	24	15	(2)	6	43
	601	79	(52)	30	658
Community Services Division – West Fife					
Fife Specialist Palliative Care	168	7	(15)	3	163
Queen Margaret Hospice	435	26	(38)	10	433
Victoria Hospice	1,165	377	(103)	152	1,591
Other	130	17	(12)	8	143
	1,898	427	(168)	173	2,330
Corporate Division					
College Of Nursing	495	64	(44)	26	541
Other	100	14	(9)	7	112
2	595	78	(53)	33	653
Total restricted funds	8,508	1,248	(753)	502	9,505

#### 17. Analysis of assets between funds

	Unrestricted General Funds £'000	Restricted Funds £'000	Total Funds £'000
Tangible fixed assets	33	84	117
Investments	3,510	8,913	12,423
Debtors	150	382	532
Bank and cash	75	188	263
Creditors	(25)	(62)	(87)
	3,743	9,505	13,248

#### 18. Operating leases

The Endowment Fund has no annual commitments under non-cancellable operating leases expiring.

#### 19. Potential Legacies

**Watt Executry** - An interim payment of £45,000 has been proposed which has been accounted for as a debtor.

**James Duncan Adamson Executry** - An interim payment of £5,000 has been proposed which has been accounted for as a debtor.

**Peter MacNaughton Executry** - An interim payment of £375,000 has been proposed which has been accounted for as a debtor.

**Dr Christina Agnes Grover** - A debtor of £88,000 has been provided for. This represents 2/18 (after disbursements and legal costs) of the total legacy amount of £1,006,070.28. 2/18 being the proportion of the legacy that is payable to Victoria Hospice.

#### 20. Related party transactions

There are no related party transactions during the current or prior accounting period.

# 21. Reconciliation of net movement in funds to net cash flow from operating activities

	2019 £′000	2018 £'000
Net movement in funds	749	50
Adjustments for:		
(Gains)/losses on investments	(580)	245
Dividends and interest from investments	(478)	(463)
(Increase)/Decrease in debtors	(517)	(11)
Increase/(Decrease) in creditors	32	(28)
	(794)	(207)

# Fife Health Board Endowment Fund Audit Completion Memorandum





**To the Trustees** 

**Audit of Accounts** 

Year Ended 31 March 2019

1/20

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#### Introduction

International Standard on Auditing 260 requires auditors to communicate by effective means, matters concerning an entity's audit to those charged with the governance of that organisation.

The first part of this process involved issuing the Trustees with an Audit Planning Memorandum prior to the commencement of the audit. The purpose of that report was to provide the Trustees (as those charged with the governance of Fife Health Board Endowment Fund) with information regarding:

- the planned audit approach;
- the proposed means and modes of communication throughout the audit assignment; and.
- ➤ to provide the Trustees with the opportunity to discuss the assignment and the audit approach prior to the commencement of audit field work.

The final part of this process is covered by issuing an Audit Completion Memorandum, and ensures that the communication process has been followed before, during, and at the end of the audit. This report sets out the following:

- the progress of the audit to date, including any issues identified during the fieldwork and any information that has been requested but not provided;
- a summary of key financial information relating to the Fund based upon the draft financial statements; and
- conclusions of the audit risks identified during the planning stage, and included within the Audit Planning Memorandum.

This report only covers items that have been identified during our audit testing and therefore does not include every possible issue relating to the Fund. In addition, we will only include those issues that we feel could have a material impact upon the Fund or our audit procedures. Items deemed as immaterial are therefore not included.

This report is addressed to the Trustees of Fife Health Board Endowment Fund and is intended for internal use only for the purpose of reviewing and finalising the audit of the financial statements for the year ended 31 March 2019. This report may not be reproduced in whole or in part without the prior, written consent of Thomson Cooper.

#### **Audit Status**

#### **Fieldwork Progress**

Our audit fieldwork was undertaken by Billy Leitch and Peter Ratomski between Tuesday 7 and Thursday 9 May 2019. All of the planned work was completed within the time frame, with no further fieldwork being required. Therefore, the fieldwork section of the audit is considered to be complete.

#### **Issues Identified**

The following is a summary of the key audit issues identified during the completion of our audit fieldwork for the Board:

• Art portfolio – as part of our audit testing, we visited Queen Margaret Hospital where a significant proportion of the artwork contained in the portfolio is displayed. In previous years we have noted from our visits that there were many paintings which did not have an identification ticket meaning that it is not possible to identify the artist or the name of the painting, and were advised that Art in Healthcare were undertaking a project to ensure all artwork was correctly tagged. From our observations this year, there has been an improvement in the number of the works which are now labelled, however, some of the paintings still appeared to have no labelling and, as such, remain untagged. The items that we identified as being tagged had a separate tag next to the painting containing a QR code and an information paragraph about the painting itself, which appeared to be for informational purposes rather than for electronic identification.

During our testing, we noted that one piece of art in the Alphabet Suite (26 individual works covering the full alphabet) was missing.

- As in previous years you should continue to monitor the movements in the investment
  portfolio up to the date on which the accounts are approved. If there is a significant
  movement in the valuation of the investment portfolio then you should consider if
  there is a need to make disclosure of this in the accounts.
- Income our testing of income highlighted that in one instance, for a donation of £5,000 the form MS1902 has no donor signature, there was only one staff signature, the staff signature was the same as the cashier's signature and the signature of the staff handing over the donation was different to the staff signature receiving the donation. This does not follow the Financial Operating Procedures.
  - In another test, for a donation of £850 the signature of the staff member handing over the donation was different to the 2 staff signatures receiving the donation. Can you please provide comment on this matter?

#### **Audit Status (cont'd)**

#### Issues Identified (cont'd)

#### Response

Both forms have clearly been incorrectly filled out, noted by management as a point to raise going forward with staff.

 There was one instance noted in our testing that a payment had been made of £1,211.94 and no endowment request form could be located by the finance staff when followed up with them.

#### Response

#### Noted

When looking at the IR35 contractor costs paid by the Endowment Fund, it was noted that the majority of contractor costs were not supported by an endowment request form. Although, the individual costs were often of low value, the overall amount paid each week was in excess of £5,000. In accordance with the Financial Operating Procedures, a payment of this value should be authorised by the Director of Finance and approved by the Board of Trustees. We would appreciate your comments on the operation of Financial Operating Procedures in relation to IR35 contractor payments.

#### Response

Mark Doyle confirmed that this is concerning and that endowment request forms should been filled out for every payment regardless of their size. It was agreed that Ian Penman will look into this going forward.

• Disclosure of gains on investments – at present the total shown in the accounts represents those gains made on both realised and unrealised investments. Given the material amount of unrealised gains on investments, we would suggest that these be shown separately on the face of the SOFA.

#### Response

Investment note has now been updated. No further action required.

 An update on the expected settlement date and amounts from the various solicitors in relation to the amounts accrued as Legacies was asked for.

#### Response

Copies of correspondence send from the Director of Finance at NHS Fife to the relevant solicitors have been send to us. We have not yet received any correspondence of responses from the solicitors

#### Audit Status (cont'd)

#### **Outstanding Information**

There is no information that was requested during the fieldwork that remains outstanding.

#### **Assistance during Fieldwork**

We would like to take this opportunity to express our thanks for all of the help and assistance that was given to our staff during the audit fieldwork.

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#### **Key Financial Information**

#### Income

Total income for the year has increased to £1,425k compared to £976k for the previous year, an increase of £449k (46%).

Legacies received in the year have increased from £146k to £602k, an increase of £456k. This income stream cannot be reliably predicted, and so fluctuations each year are to be expected.

Investment income has increased by £15k and donations and gifts have decreased by £22k.

#### Surplus for the Year

The charity has reported net incoming resources (before gains and losses on investments) of £169k compared to net incoming resources of £295k in the previous year. During the year the charity reported net gains on investments of £580k (£54k realised gains and £526k unrealised gains) compared to net losses of £245k (£33k realised gains and £278k unrealised losses) in the previous year. The total net movement of funds in the year was a surplus of £751k compared to a £53k surplus in the previous year.

#### Resources Expended

Resources expended in the year have increased to £1,256k compared to £681k for the previous year, an increase of £575k (84%). The majority of costs have remained fairly consistent with the previous year, with the most notable variances relating to increased expenditure on Salary & professional fees (£246k increase), Property development & maintenance (£67k increase) Equipment (£345k increase), and Functions & Conferences (£63k decrease).

#### **Investments**

During the year the value of investments acquired totalled £256k and disposals made totalled £500k which included a realised gain of £54k.

Unrealised gains arose on the investment portfolio of £526k compared to unrealised losses of £278k in the previous year. Both movements reflect overall changes in the stock market.

#### **Tangible Fixed Assets**

The Art Collection is included at cost in the accounts at a value of £117k. The insurance value is £112k which appears low, however, as the Collection is split over various sites the Trustees may consider that this is reasonable given that it is unlikely that a claim would be made on the entire Collection at any one time.

#### **Key Financial Information (cont'd)**

#### **Debtors**

Debtors have increased to £532k compared to £15k for the previous year. The increase relates to accrued Legacy income which had been notified but not received prior to 31 March 2019.

#### **Bank and Cash**

The cash movement during the year is shown in the cash flow statement in the accounts. Cash at bank has decreased during the year by £72k from an opening position of £335k to a closing balance of £263k.

#### Creditors Due Within One Year

Creditors have increased from £55k to £87k. Trade creditors have increased this year from £8k to £20k. The exchequer creditor has increased in the year from £22k to £39k. Audit fees have remained consistent with the previous year at £9k (as per our Audit Planning Memorandum). Portfolio management fee accruals have also remained consistent at £9k. IR35 related suppliers are £9k compared to £6k in the prior year.

#### **Funds**

The net movement in funds during the year was a surplus of £751k compared to a surplus in the previous year of £53k. This surplus comprises the net surplus before gains and losses on investments in the year of £169k, and net gains on investments & fixed assets of £582k.

The closing fund balance at the year end was £13,248k. This was split between unrestricted funds of £3,743k and restricted funds of £9,505k.

#### Conclusion of Audit Risks Identified

#### Introduction

As set out in the Audit Planning Memorandum, our aim is to plan and perform sufficient audit work so as to ensure that detection risk is minimised, and that the conclusion drawn regarding the truth and fairness of Fife Health Board Endowment Fund's financial statements is valid.

The risks below were identified at the planning stage and were based upon our initial discussions and a review of previous year's financial statements, prior to the commencement of the detailed planning work for the audit for the year ended 31 March 2019. Our response to these risks now that the audit fieldwork has been completed are summarised as follows.

#### Audit Risks Identified at Planning Stage

#### Security of Investments

The investments are by far the Fund's largest asset and by virtue of size, therefore, constitute a specific audit risk. Our audit procedures will involve assessing the adequacy of the security arrangements operated by Investec in relation to the Fund's investments as well as considering whether it is appropriate for us to rely upon their work as directed by International Standard on Auditing 620 – Using the Work of an Expert.

#### Response

After reviewing the records for the year and after discussions with the Trustees we believe that there are adequate security arrangements in place.

#### **Accounting for Restricted Funds**

The Trustees must ensure that the accounts are prepared in accordance with the Charities SORP 2015 (FRS 102) which requires that funds received with specific conditions attaching are accounted for as restricted funds and disclosed in the financial statements accordingly. We will look for evidence during our audit that all sources of income have been properly identified and recorded in the accounting records and financial statements of the Fund.

#### **Response**

After reviewing the records for the year, we can confirm that no instances of misallocation of funds were identified during the audit. Confirmation will be sought from the Trustees to confirm that they are not aware of any instances of non-compliance.

#### Audit Risks Identified at Planning Stage (cont'd)

#### Income Recognition and Cut-off

Specific audit work will be performed to ensure that income has been recognised in the correct accounting period and the accounting policy for the recognition of income has been consistently applied, particularly with regard to income from legacies.

#### **Response**

The cut-off testing performed identified a small number of purchase invoices that had not been included as trade creditors. The additional trade creditor amount is immaterial, and the accounts have not been adjusted to reflect the late invoices. Details of the potential adjustment are set out on Appendix 1 of this document.

#### **Management Override**

In every organisation, senior management may be in a position to override the routine day-to-day financial controls. For all of our audits, we consider this risk and adapt our audit procedures accordingly.

#### Response

Having scrutinised the transactions for the year, we are satisfied that there are no unusual or suspicious transactions which indicated management override of controls.

#### **Fraud**

The auditor's responsibility to consider the audit risk of fraud is laid down in ISA 240 "The auditor's responsibility to consider fraud in an audit of financial statements".

In accordance with ISA 200, 'the auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance'.

#### Audit Risks Identified at Planning Stage (cont'd)

#### Fraud (cont'd)

As part of the planning process, we are obliged to make enquiries of management and those charged with governance regarding:

- a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and
- d) Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- e) Whether Management have knowledge of any actual, suspected or alleged fraud affecting the entity.

We can confirm that if we identify any fraud or obtain information that indicates that a fraud may exist, we will communicate this to the appropriate level of management as soon as practicable. If the fraud involves management, employees who have significant roles in internal control or where the fraud results in a material misstatement in the financial statements, we will communicate these matters to the Trustees as soon as practicable

At the conclusion of our audit work, we will request written confirmation in our letter of representation that the Trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and that it has disclosed to ourselves the results of its risk assessment and disclosed any instances or allegations of fraud which have arisen.

#### **Response**

After reviewing the records for the year, we can confirm that no instances of fraud were identified during the audit. Confirmation will be sought from the Trustees to confirm that they are not aware of any instances of fraud.

#### Audit Risks Identified During Fieldwork

We are pleased to report that during our audit fieldwork there were no additional audit risks identified as being required to be brought to the attention of the Trustees.

#### Report to Management

#### **General Report**

#### Introduction

We have completed our audit of the financial statements for the year ended 31 March 2019 and set out below a summary of the matters which we believe should be brought to your attention. There are no significant matters to report and accordingly a separate management letter and report is not necessary.

#### Scope of our Report

The specific objective of our audit was to confirm whether the financial statements showed a true and fair view of the state of affairs of the company and of their profit or loss for the year. We have prepared this report solely for the use by the Trustees.

Our work cannot be expected to identify all weaknesses in your systems and procedures which a special investigation directed at the systems and procedures might reveal.

#### **Principal Findings**

We are pleased to report that in general, our audit testing revealed internal controls to be adequate, well designed and operating effectively.

The key issues that have been identified are brought to your attention on page 2 of this Audit Completion Memorandum.

#### **Audit Adjustments**

#### Introduction

Audit adjustments can be summarised under 3 main categories:

#### 1. Provided to us during audit fieldwork

These adjustments are items that you identified in between providing the final period end figures upon which the audit has been planned and the completion of the audit fieldwork.

Examples include provisions for late invoices received and material post year end transactions that were not apparent before the commencement of the audit.

#### 2. Provided by Thomson Cooper during or after audit fieldwork

These adjustments are items identified by the Thomson Cooper staff during the preparation of the draft statutory financial statements which are required to be provided in order for the financial statements to show a true and fair view of the results for the period.

Examples include amendments to accruals and prepayments and reallocation of expenses.

#### 3. Unadjusted or additional proposed items after audit fieldwork

Unadjusted items would typically include adjustments that could have been made, however are deemed not material enough to justify their inclusion.

Examples would include small differences identified in bank reconciliations, sales or purchase ledger control financial statements.

Additional proposed items would normally relate to potential adjustments that have been identified by our audit staff that because of their materiality could impact upon the truth and fairness of the financial statements.

#### **Current Period Audit Adjustments**

A list of all audit adjustments is contained within Appendix 1.

#### **Audit Report**

#### **Conclusions**

Based upon the information provided and the results of the audit fieldwork undertaken we anticipate issuing a clean audit report for the current financial period.

#### **Anticipated Audit Report**

The audit report that is anticipated to be included in the financial statements for the current financial period is contained within Appendix 2.

14/20 101/403

#### **APPENDIX 1 – JOURNAL ADJUSTMENTS**

A list of all potential journal adjustments is shown below, all of which have been included within the final accounts:

Provided to us during audit fieldwork

No adjustments provided.

Identified by us during audit fieldwork

No adjustments were considered necessary.

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#### APPENDIX 2 – ANTICIPATED AUDIT REPORT

A copy of the anticipated audit report, as referred to, is included on the following page. This is what is frequently referred to as a "clean" audit opinion and is in the format provided by the Financial Reporting Council.

16/20 103/403

# FIFE HEALTH BOARD ENDOWMENT FUND Independent Auditors' Report to the Trustees of Fife Health Board Endowment Fund

#### **Opinion**

We have audited the financial statements of Fife Health Board Endowment Fund (the 'charity') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements of the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## FIFE HEALTH BOARD ENDOWMENT FUND Independent Auditors' Report to the Trustees of Fife Health Board Endowment Fund

#### Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board's Annual Report has been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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## FIFE HEALTH BOARD ENDOWMENT FUND Independent Auditors' Report to the Trustees of Fife Health Board Endowment Fund

#### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page x, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act and report in accordance with those Acts and relevant regulations made or having effect thereunder. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <a href="www.frc.org.uk/auditorsresponsibilities">www.frc.org.uk/auditorsresponsibilities</a>. This description forms part of our auditor's report.

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## FIFE HEALTH BOARD ENDOWMENT FUND Independent Auditors' Report to the Trustees of Fife Health Board Endowment Fund

#### Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Mitchell (Senior Statutory Auditor) for and on behalf of Thomson Cooper, Statutory Auditor Accountants Dunfermline

26 June 2019

Thomson Cooper is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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#### Fife NHS Board

Hayfield House Hayfield Road Kirkcaldy Fife KY2 5AH Telephone: 01592 643355



Fax: 01592 648142 www.show.scot.nhs.uk

Thomson Cooper Statutory Auditors 3 Castle Court Carnegie Campus Dunfermline Fife Date Your Ref Our Ref Enquiries to

Extension

Direct Line

Email

26 June 2019

Mrs C Potter Ext 28140 01592 648140

carolpotter2@nhs.net

#### Dear Sirs,

**KY11 8PB** 

This representation letter is provided in connection with your audit of the financial statements of Fife Health Board Endowment Fund for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Fife Health Board Endowment Fund as of 31 March 2019 and of the results of its operations and cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice.

We acknowledge our responsibility for the fair presentation of the accounts in accordance with United Kingdom Generally Accepted Accounting Practice.

We confirm to the best of our knowledge and belief, the following representations:

#### 1. General

We acknowledge as Trustees of the Fund our responsibilities under the Charities Accounts (Scotland) Regulations 2006 (as amended), for preparing financial statements which give a true and fair view and for making accurate representations to you. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including Minutes of Trustees meetings, have been made available to you.

#### 2. Going Concern

We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding will be more than adequate for the Fund's needs. We have considered a period of twelve months from the date of the approval of the financial statements. We believe that no disclosure relating to the Fund's ability to continue as a going concern need be made in the financial statements. 3. Loans and arrangements



The Fund has not had, or entered into, at any time during the period any arrangement, transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for Trustees or to guarantee or provide security for such matters.

#### 4. Transactions with related parties

All transactions with related parties have been disclosed in the financial statements. We have made available to you all relevant information concerning such transactions and are not aware of any other matters, which require disclosure in order to comply with the requirement of the Financial Reporting Standard 102.

#### 5. Law and regulations

We are not aware of any irregularities involving Trustees or employees of the Fund:; nor are we aware of any breaches or possible breaches of statute, regulations, contracts or agreements which might prejudice the going concern status or that might result in the Fund suffering significant penalties or other loss. No allegations of such irregularities or such breaches have come to our notice.

#### 6. Fraud

We acknowledge our responsibility for the design and implementation of internal controls and procedures to prevent and detect fraud. We have disclosed to you any actual or suspected fraud involving Trustees, employees with significant roles in internal controls, and all instances where the fraud could have a material effect on the financial statements.

#### 7. Legacies

We confirm that we have disclosed to you all legacies which have been received or which are receivable. We confirm that there have been no further legacies intimated to the Fund during the year ended 31 March 2019.

#### 8. Post-balance sheet events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.



### 9. Restricted funds

All grants, legacies, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions during this period in the application of such income.

Yours faithfully	
	Tricia Marwick Chair
	Carol Potter Director of Finance
26 June 2019	





DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Annual Assurance Statements 2018/19
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Gillian MacIntosh, Board Secretary

Purpose of the Report	
	For Assurance

#### **SBAR REPORT**

#### **Situation**

The purpose of this report is to present the Annual Assurance Statements for each standing Committee of the Board, for consideration by the Audit & Risk Committee as part of the overall annual accounts and assurance process for 2018/19.

#### **Background**

The Code of Corporate Governance requires all standing committees of the NHS Board to provide an Annual Report (Assurance Statement). As part of this Assurance Statement, each Committee must demonstrate that it is fulfilling its remit, implementing its work plan and ensuring the timely presentation of its minutes to the Board. These reports are designed to provide assurance that there are adequate and effective governance arrangements in place. Each Committee must identify any significant control weaknesses or issues at the year-end which it considers should be disclosed in the Governance Statement, and should specifically record and provide assurance that the Committee has carried out the annual selfassessment of its effectiveness.

#### **Assessment**

The Annual Assurance Statements for the Clinical Governance Committee. Finance. Performance & Resources Committee and Staff Governance Committee are attached for consideration by members of the Audit & Risk Committee.

#### **Recommendation**

The Audit & Risk Committee is asked to:

**Note** the signed Annual Assurance Statements for the other standing Committees of the Board.

Objectives: (must be completed)	
Healthcare Standard(s):	Governance and assurance is relevant to all Healthcare
	Standards.
HB Strategic Objectives:	All
Further Information:	
Evidence Base:	N/A
Glossary of Terms:	N/A

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Parties / Committees consulted prior to meeting:	The Assurance Statements have each been signed off by the relevant individual Committee and Committee Chair.					
Impact: (must be completed)						
Financial / Value For Money	These factors are a key component of the assurance					
Risk / Legal:	process					
Quality / Patient Care:						
Workforce:						
Equality:						



# NHS FIFE ANNUAL STATEMENT OF ASSURANCE FOR NHS FIFE CLINICAL GOVERNANCE COMMITTEE FOR 2018/19

### 1. PURPOSE

1.1 To provide the Board with the assurance that clinical governance mechanisms are in place and effective throughout the whole of Fife NHS Board's responsibilities, including health improvement activities.

#### 2. MEMBERSHIP

2.1 During the financial year to 31 March 2019 membership of the committee comprised: -

Chair	Dr Leslie Bisset	Non-Executive Committee Member
	Mr Martin Black	Non-Executive Committee Member
	Mrs Wilma Brown	Area Partnership Forum Representative
	Dr Frances Elliot	The Board Medical Director (until March 2019)
	Cllr David Graham	Non-Executive Committee Member
	Mrs Margaret Hannah	The Board Director of Public Health (until September 2018)
	Mr Paul Hawkins	Chief Executive of the Board
	Ms Rona Laing	Non-Executive Committee Member
	Mr Simon Little	Non-Executive Committee Member (until September 2018)
	Dr Christopher McKenna	The Board Medical Director (from March 2019)
	Mrs Dona Milne	The Board Director of Public Health (from September 2018)
	Ms Janette Owens	Area Clinical Forum Representative



Mr John Stobbs Patient Representative

Mrs Margaret Wells Non-Executive Committee Member

Ms Helen Wright The Board Nurse Director

- 2.2 The Committee may invite individuals to attend the Committee meetings but normally in attendance would be:
  - NHS Fife Executive Lead for Clinical Governance
  - NHS Fife Executive Lead for Risk Management
  - NHS Fife Executive Lead for e-Health
  - NHS Fife Executive Lead for Organisational Development\*
  - NHS Fife Executive Lead for Staff Governance\*
  - NHS Fife Executive Lead for Involving People
  - NHS Fife Executive Lead for Healthcare Acquired Infection (HAI)
  - Associate Medical Director, Acute Services Division
  - Associate Medical Director, Fife Health & Social Care Partnership
  - Three Community Services General Managers\*
  - Three Community Services Clinical Directors\*
  - Chief Operating Officer, Acute Services Division
  - Director of Health & Social Care
  - Director of Pharmacy
  - NHS Fife Lead for Public Health Governance
  - NHS Fife Caldicott Guardian
  - NHS Fife Lead for Complaints
  - NHS Fife Head of Quality & Clinical Governance
  - NHS Fife Clinical Effectiveness Coordinator

(\*Attend when appropriate)

#### 3. MEETINGS

- 3.1 The Committee met on six occasions during the year (1 April 2018 to 31 March 2019) on the undernoted dates:
  - 9 May 2018
  - 4 July 2018
  - 5 September 2018
  - 7 November 2018
  - 16 January 2019
  - 6 March 2019
- 3.2 The attendance schedule is attached at Appendix 1.



#### 4. BUSINESS

- 4.1 Details of the substantive business items considered are attached as Appendix 2.
- 4.2 Minutes of the meetings of the Clinical Governance Committee have been timeously submitted to the Board for its information.
- 4.3 The range of business covered at the meetings and the additional papers submitted to the Committee demonstrates that the full range of matters identified in the Clinical Governance Committee's remit is being addressed.
- 4.4 In line with its Constitution and Terms of Reference, the Committee has produced an Annual Work Plan for the Board.
- 4.5 The process for managing non-presentation of reports to the committee is well managed. Reports are presented at each committee which detail the reports not presented and the action taken to carry these over to the next meeting. This is managed on a meeting by meeting basis. If there was any significant impact of a report not being presented this would be discussed at the Committee during the exception report.
- 4.6 In providing this assurance to the Board, assurance reports have been received from:

NHS Fife Health & Social Care Partnership Clinical & Care Governance Committee

NHS Fife Information Governance & Security Group

NHS Fife eHealth Board and

NHS Fife Health and Safety Committee

4.7 Adequate and effective Clinical and Information Governance arrangements were in place throughout year 2018 -2019.

#### 5. BEST VALUE

5.1 Since 2013/14 the Board has been required to provide overt assurance on Best Value. A revised Best Value Framework was considered and agreed by the NHS Board in January 2018. Appendix 3 provides evidence of where and when the Committee considered the relevant characteristics during 2018/19.

#### 6. RISK MANAGEMENT

6.1 In line with the Board's agreed risk management arrangements, NHS Fife Clinical Governance Committee, as a governance committee of the Board, has considered risk through a range of reports and scrutiny, including oversight on the detail, and introduction, of the Board Assurance Framework. Progress and appropriate actions were noted.



#### 7. SELF ASSESSMENT

7.1 The Committee has undertaken a self assessment of its own effectiveness, utilising a revised questionnaire considered and approved by the Committee in November 2018. Attendees were also invited to participate in this exercise, which was carried out via a more easily-accessible online portal. A report summarising the findings of the survey was considered and approved by the Committee at its March 2019 meeting, and action points are being taken forward at both Committee and Board level.

#### 8. CONCLUSION

- 8.1 As Chair of the Clinical Governance Committee during financial year 2018/19, I am satisfied that the integrated approach, the frequency of meetings, the breadth of the business undertaken and the range of attendees at meetings of the Committee has allowed us to fulfil our remit as detailed in the Code of Corporate Governance. As a result of the work undertaken during the year, I can confirm that adequate and effective governance arrangements were in place throughout NHS Fife during the year.
- 8.2 I can confirm that that there were no significant control weaknesses or issues at the yearend which the Committee considers should be disclosed in the Governance Statement, as they may have impacted financially or otherwise in the year or thereafter.
- 8.3 I would pay tribute to the dedication and commitment of fellow members of the Committee and to all attendees. I would thank all those members of staff who have prepared reports and attended meetings of the Committee.

Lu Brick	(signed)	15.5.19	(date)
	(Signed)	<u> </u>	\uaic,

Dr L Bisset
CHAIRPERSON 2018/19
On behalf of NHS Fife Clinical Governance Committee

# NHS Fife Clinical Governance Committee Attendance Record 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019

POSITION	8		4 July 2018	5 September 2018	7 November 2018	16 January 2019	6 March 2019
Members							
Chair NHSFCGC	Les Bisset	V	1	1	1	1	1
Non-Executive Committee Member	Simon Little	V	V	1			
Non-Executive Committee Member	Rona Laing	<b>V</b>	√	√	<b>V</b>	1	1
Non-Executive Committee Member	Martin Black	V	<b>√</b>	V	V	V	1
Non-Executive Committee Member	David Graham	V	х	х	<b>V</b>	Х	1
Non-Executive Committee Member	Margaret Wells	<b>V</b>	√	√	<b>V</b>	<b>V</b>	1
Patient Representative	John Stobbs	V	V	1	Х	<b>V</b>	1
Area Partnership Forum	Wilma Brown	<b>V</b>	<b>V</b>	1	Х	1	1
Area Clinical Forum Representative	Janette Owens	V	V	х	1	V	х
Chief Executive	Paul Hawkins	Х	V	V	Х	Х	Х
Medical Director, NHS Fife	Frances Elliot	V	V	1	1	1	<b>√</b>
Medical Director, NHS Fife	Christopher McKenna				1		$\sqrt{}$
Nurse Director NHS Fife	Helen Wright	Х	х	<b>√</b>	х	<b>√</b>	х
Director of Public Health	Margaret Hannah	х	1	х			l
Director of Public Health	Dona Milne			1	1	<b>V</b>	<b>√</b>

In Attendance							
III Attendance		9 May 2018	4 July 2018	5 September 2018	7 November 2018	16 January 2019	6 March 2019
Associate Medical Director	Rob Cargill	$\sqrt{}$	V	V	х	1	$\sqrt{}$
PA to Medical Director – NHS Fife	Catriona Dziech	V	V	V	V	V	<b>V</b>
Director of Planning and Strategic Partnership & Interim Chief Operating Officer	Jann Gardner	1	1	1	<b>V</b>		
Associate Medical Director H&SCP	Seonaid McCallum	V	V	V	V	V	х
Head of Corporate Planning and Performance	Gillian MacIntosh			V	V	V	х
Clinical Effectiveness Co- ordinator - NHS Fife	Elizabeth Muir	V	√ 	V	<b>V</b>	V	V
Director of Health & Social Care	Michael Kellet	V	х	V	х	Х	х
Head of Quality & Clinical Governance Lead	Helen Woodburn	Х	V	V	V	V	V
Director of Pharmacy	Evelyn McPhail	Х	х	х	х	V	Х
In Attendance – to present Reports / Observer / Representative		9 May 2018	4 July 2018	5 September 2018	7 November 2018	16 January 2019	6 March 2019
Divisional General Manager, West Division, H&SCP (Item 7B)	Claire Dobson	1					
Change and Improvement Manager H&SCP (Item 7B)	Roz Barclay	<b>V</b>					
Clinical Nurse Specialist H&SCP (Item 7B)	Karen Gibb	V					

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Associate Director of Nursing, Acute Services Division (for Helen Wright on 4 July)	Lynn Campbell		V			V	
Lead Pharmacist Medicines Governance & Education Training (as Observer)	Geraldine Smith		V				
In Attendance – to present Reports / Observer / Representative		9 May 2018	4 July 2018	5 September 2018	7 November 2018	16 January 2019	6 March 2019
Director of Workforce	Barbara Anne Nelson			$\sqrt{}$		$\sqrt{}$	V
GMC Employee Liaison Representative	Willie Paxton			$\sqrt{}$			
Non-Executive Committee Member	Sinead Braiden			~			
Divisional General Manager, Fife Wide Division, H&SCP (Item 7.1)	Julie Paterson				$\sqrt{}$		
Consultant Psychologist (Item 7.1)	Katherine Cheshire				$\sqrt{}$		
Consultant Psychiatrist (Item 7.1)	Marie Boilson				V		
Register Shadowing NHS Fife Medical Director	Jennifer Allison				$\sqrt{}$		
Clinical Director, Emergency Care Directorate	Christopher McKenna					$\sqrt{}$	
Associate Director of Nursing, Health & Social Care Partnership	Nicky Connor for Michael Kellet & Helen Wright						V

## NHS FIFE CLINICAL GOVERNANCE COMMITTEE SCHEDULE OF BUSINESS CONSIDERED 2018/2019

#### 9 May 2018:

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report
- Integrated Performance Report
- Health & Social Care Standards
- Healthcare Improvement Scotland Quality Framework
- Board Assurance Framework for Quality and Safety
- Board Assurance Framework for Strategic Planning
- GMC Update

#### **Clinical Strategy**

- Acute Services Review workplan
- Community Transformation Programme

#### **Governance Items:**

- Final Draft Terms of Reference for Clinical Governance Steering Group
- Cyber Resilience Update Report
- Internal Audit Report on Clinical & Care Governance Strategy: Action Plan
- C Section Surgical Site Infection
- SIRO Report
- Nursing, Midwifery Allied Health Professionals Professional Assurance Framework

#### **Governance Items Statements of Assurance**

- Annual Statement of Assurance for Information Governance & Security Group
- Annual Statement of Assurance for eHealth Board 2017-2018
- Annual Statement of Assurance for Health & Safety Sub Committee 2017-2018
- Annual Statement of Assurance PFPI 2017-2018
- Annual Statement of Assurance for NHS Fife Research Governance Group 2017-2018
- Final Clinical Governance Statement of Assurance & Best Value Framework 2017 2018

#### **Annual Reports**

Radiation Protection Annual Report

#### **Executive Lead Reports and Minutes from Linked Committees:**

- Fife Area Drugs & Therapeutics Committee 7 February 2018
- NHS Fife Health & Social Care Partnership Care & Clinical Governance Committee 13 March 2018 & Extraordinary Meetings - 4 & 18 April 2018
- eHealth Board 20 February 2018
- Fife Research Governance Group 29 March 2018
- Health & Safety Sub Committee 9 March 2018
- NHS Fife Health & Social Care Partnership Integration Joint Board 20 March 2018
- NHS Fife Infection Control Committee (including HAIRT reports) 7 February 2018
- Information Governance & Security Group 7 February 2018
- Joint Strategic Transformation Group 4 April 2018
- Public Health Assurance Committee 29 March 2018
- NHS Fife Quality Safety & Governance Group 9 March 2018

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• Resilience Forum - 15 March 2018

- Items for Noting:
  NHS Fife Activity Tracker
  NHS Fife Clinical Governance Committee Workplan 2018 2019

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#### 4 July 2018:

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report (including HAIRT report)
- Integrated Performance Report
- Board Assurance Framework for Quality and Safety
- Board Assurance Framework for Strategic Planning
- Excellence in Care Framework

#### **Clinical Strategy:**

- Update on Clinical Strategy:- Site Optimisation
- Update on Clinical Strategy:- Medicines Efficiency
- Transformation Programme Update
- Mental Health Strategy Update

#### **Governance Items:**

- Update Report on Caesarean Section Surgical Site Infection
- Improvement Work on Complaint Responses
- Winter Review Plan
- GMC Review of the Scottish Deanery for Medical Education
- Internal Audit Report on Clinical & Care Governance Strategy
- Healthcare Improvement Scotland Quality Framework
- GMS Update
  - Report on individual responsibilities
  - Improvement Plan
- eHealth Report
- Medical Education Report
- Area Drugs & Therapeutics Committee Terms of Reference Review
- Insulin Pumps & CGMs Data as at 31 March 2018

#### **Annual Reports:**

Clinical Advisory Panel Annual Report

#### **Executive Lead Reports and Minutes from Linked Committees:**

- Acute Services Division Clinical Governance Committee 18 April 2018
- Fife Area Drugs & Therapeutics Committee 18 April 2018
- NHS Fife Health & Social Care Partnership Care & Clinical Governance Committee 9 May 2018
- NHS Fife Clinical Governance Steering Group 2 May 2018
- eHealth Board 26 April 2018
- NHS Fife Health & Safety Sub Committee 1 June 2018
- NHS Fife Health & Social Care Partnership Integration Joint Board 26 April 2018
- NHS Fife Information Governance & Security Group 27 April 2018
- NHS Fife Joint Strategic Transformation Group 30 May 2018

#### **Items for Noting:**

- NHS Fife Activity Tracker
- NHS Fife Clinical Governance Committee Workplan 2018 2019

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#### 5 September 2018:

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report
- Integrated Performance Report
- Board Assurance Framework for Quality and Safety
- Board Assurance Framework for Strategic Planning

#### **Clinical Strategy:**

- Mental Health Strategy Update
- Ravenscraig Ward Model of Care for In-patients
- Update on Clinical Strategy
- Review of Role of Joint Strategic Transformation Group

#### **Governance Items:**

- Implementation of Duty of Candour Update
- Clinical & Staff Governance for General Practice
- Update Report on Caesarean Section Surgical Site Infection
- GMS
- Feedback on Improvement Work on Complaint Responses
- Winter Plan 2018 2019
- Revised Area Drugs & Therapeutics Committee Terms of Reference
- ehealth Quarterly Report April June 2018
- NHS Organisational Resilience Standards
- NHS Fife Annual Immunisation Report
- Freestyle Libra

#### **Annual reports:**

SCAN Annual Report

#### **Executive Lead Reports and Minutes from Linked Committees:**

- Acute Services Division Clinical Governance Committee 18 July 2018
- NHS Fife Area Drugs & Therapeutics Committee 6 June 2018
- NHs Fife Clinical Governance Steering Group 18 July 2018
- NHs Fife Research Governance 14 June 2018
- NHS Fife Health & Social Care Partnership Integration Joint Board 21 June 2018
- NHS Fife Infection Control Committee (including HAIRT report) 6 June 2018
- Joint Strategic Transformation Group 4 July 2018
- Patient Focus Public Involvement 20 June 2018
- Public Health Assurance Committee 26 July 2018
- Resilience Forum 15 June 2018
- eHealth Board 14 August 2018

#### **Items for Noting:**

- NHS Fife Activity Tracker
- NHS Fife Clinical Governance Committee Workplan 2018 2019

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#### **7 November 2018:**

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report
- Integrated Performance Report
- Board Assurance Framework for Quality & Safety
- Board Assurance Framework for Strategic Planning

#### **Clinical Strategy**

- Update on Clinical Strategy:- Site Optimisation
- Update on Clinical Strategy:- Medicines Efficiency

#### **Mental Health Strategy**

Mental Health Redesign Update

#### **Review of role of Joint Transformation Group**

Joint Transformation Group Terms of Reference

#### **Governance Items:**

- Nursing , Midwifery Allied Health Professional Professional Assurance Framework
- Medical Education Report (included GMC visit report on NHS Fife)
- Alcohol Licensing
- Child Protection Action List item 103
- Winter review 2018 2019 update
- Medical Revalidation 2017- 2018
- eHealth Quarterly Report July September 2018
- Research & Development Strategy Review 2018 2019
- Unicef UK Baby Friendly Initiative Re-assessment
- Adverse Event Report
- Transvaginal Mesh Issue
- Update on Clinical Policies
- Primary Medical Services Sub-Committee Constitution & Terms of Reference
- Healthcare Improvement Scotland Quality Framework
- Primary Care Improvement Plan
- Orthopaedic Reprovision Position Paper
- Board Committee Self Assessment Exercise

#### **Annual Reports:**

Scottish Patient Safety Programme – Primary Care Report

#### **Executive Lead Reports and Minutes from Linked Committees:**

- NHS Fife Area Drugs & Therapeutics Committee 1 August 2018
- NHS Fife Health & Social Care Partnership Clinical & Care Governance Committee 10 August 2018 and 11 September 2018
- NHS Fife Clinical Governance Steering Group 12 September 2018
- NHS Fife Research Committee 21 September 2018
- NHS Fife Health & Safety Committee 21 September 2018
- NHS Fife Health & Social Care Partnership Integration Joint Board 27 September 2018
- Information Governance & Security Group 16 August 2018
- Joint Transformation Group 29 August 2018
- NHS Fife Patient Focus Public Involvement 12 September 2018

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- Public Health Assurance Committee 15 November 2018
- Fife Resilience Forum 20 September 2018
- Unconfirmed note Infection Control Committee 5 December 2018

- Items for Noting:
  NHS Fife Activity Tracker
  NHS Fife Clinical Governance Committee Workplan 2018 2019

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#### 16 January 2019:

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report and SAB's presentation from Dr Keith Morris
- Integrated Performance Report
- Board Assurance Framework for Quality & Safety
- Board Assurance Framework for Strategic Planning

#### **Clinical Strategy**

- Community Development
- Mental Health Redesign
- Update on Site Optimisation
- Update on Medicines Efficiency Programme

#### **Governance Items:**

- Healthcare Improvement Scotland Quality Framework Update
- Winter Plan 2018 2019 including Escalation Plan
- Child Protection Inspection Report
- Report from Information & Governance Security Group on compliance with General Data Protection Regulations
- Safe Use of Medicines

#### **Annual Reports:**

Fife Child Protection Committee Annual Report 2017 - 2018

#### **Executive Lead Reports and Minutes from Linked Committees:**

- NHS Fife Area Drugs & Therapeutics Committee 17 October 2018
- Acute Services Division Clinical Governance Committee 17 October 2018
- NHS Fife Health & Social Care Partnership Clinical and Care Governance Committee -9 November 2018
- NHS Fife Clinical Governance Steering Group 14 November 2018
- eHealth Board 16 November 2018
- Health & Safety Sub Committee 14 December 2018
- NHS Fife Health & Social Care Partnership Integration Joint Board 24 October 2018
- NHS Fife Infection Control 3 October 2018 & December 2018
- Information Governance & Security Group 23 November 2018
- Joint Strategic Transformation Group 31 October 2018 & 5 December 2018
- Public Health Assurance Committee 29 November 2018
- Resilience Forum 6 December 2018

#### **Items for Noting:**

- NHS Fife Activity Tracker
- NHS Fife Clinical Governance Committee Workplan 2018 2019
- Draft Fife Clinical Governance Committee Workplan 2019 2020
- Vaping Report submitted to Scottish Government Health Department

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#### 6 March 2019:

#### **Action List**

#### **Medical / Nurse Directors Reports:**

- Quality Report and SAB's presentation from Dr Keith Morris
- Integrated Performance Report
- Board Assurance Framework for Quality & Safety
- Board Assurance Framework for Strategic Planning

#### **Clinical Strategy**

- Update report on Site Optimisation
- Update report on Medicines Efficiency Group and Low Clinical Value Medicines
- Update report on Mental Health Redesign
- Update report on all strands of Clinical Strategy

#### **Governance Items:**

- Winter Plan monthly Update Report
- Nursing, Midwifery Allied Health Professional Framework
- NHS Fife Equality Outcome Progress Report 2019
- Draft Clinical Governance Committee Annual Statement of Assurance & Best Value
- Committee Self Assessment Report
- Excellence in Care
- Healthcare Improvement Scotland Framework
- Update Report on General Data Protection Regulations

#### **Annual Reports:**

- Brexit Update
- Update on Vaping Report submitted to Scottish Government Health Department

#### **Executive Lead Reports and Minutes from Linked Committees:**

- Area Clinical Forum 6 December 2018
- Acute Services Division Clinical Governance Committee 13 February 2019
- NHS Fife Area Drugs & Therapeutics Committee 18 December 2018 (Unconfirmed)
- NHS Fife Health & Social Care Partnership Clinical and Care Governance Committee 25 January 2019 (Unconfirmed)
- NHS Fife Clinical Governance Steering Group 24 January 2019
- NHS Fife Research Committee 13 December 2018 (Unconfirmed)
- NHS Fife Health & Social Care Partnership Integration Joint Board 20 December 2018 (Unconfirmed)
- NHS Fife Infection Control 6 February 2019
- Joint Strategic Transformation Group 9 January 2019
- Resilience Forum 31 January 2019 (Unconfirmed)
- Radiation protection Committee 19 December 2019 (Unconfirmed)

#### **Items for Noting:**

- NHS Fife Activity Tracker
- NHS Fife Clinical Governance Committee Workplan 2018 2019
- Draft Fife Clinical Governance Committee Workplan 2019 2020

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### NHS Fife Best Value Framework

#### Vision and Leadership

A Best Value organisation will have in place a clear vision and strategic direction for what it will do to contribute to the delivery of improved outcomes for Scotland's people, making Scotland a better place to live and a more prosperous and successful country. The strategy will display a clear sense of purpose and place and be effectively communicated to all staff and stakeholders. The strategy will show a clear direction of travel and will be led by Senior Staff in an open and inclusive leadership approach, underpinned by clear plans and strategies (aligned to resources) which reflect a commitment to continuous improvement.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
The strategic plan is translated into annual	Winter Plan	FINANCE, PERFORMANCE &	Annual	Winter Review Plan considered at 4 July 2018, 5 September 2018, 7
operational plans with meaningful, achievable actions and outcomes and	Capacity Plan	RESOURCES COMMITTEE	Bi-monthly	November 2018, 16 January 2019 and 6 March 2019 including escalation plan
clear responsibility for action.		CLINICAL GOVERNANCE COMMITTEE	Bi-monthly	NHS Fife Clinical Governance Workplan is discussed at every meeting.
		BOARD		<ul> <li>Minutes from Linked Committees e.g.</li> <li>NHS Fife Area Drugs &amp; Therapeutics Committee</li> <li>Acute Services Division, Clinical Governance Committee</li> <li>NHS Fife Infection Control Committee</li> <li>NHS Fife Health &amp; Social Care Partnership Care &amp; Clinical Governance Committee</li> </ul>
				NHS Fife Integrated Performance Report is considered at every meeting. NHS Fife Quality Report is discussed at every meeting.

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#### **GOVERNANCE AND ACCOUNTABILITY**

The "Governance and Accountability" theme focuses on how a Best Value organisation achieves effective governance arrangements, which help support Executive and Non-Executive leadership decision-making, provide suitable assurances to stakeholders on how all available resources are being used in delivering outcomes and give accessible explanation of the activities of the organisation and the outcomes delivered.

#### **OVERVIEW**

A Best Value organisation will be able to demonstrate structures, policies and leadership behaviours which support the application of good standards of governance and accountability in how the organisation is improving efficiency, focusing on priorities and achieving value for money in delivering its outcomes. These good standards will be reflected in clear roles, responsibilities and relationships within the organisation. Good governance arrangements will provide the supporting framework for the overall delivery of Best Value and will ensure openness and transparency. Public reporting should show the impact of the organisations activities, with clear links between the activities and what outcomes are being delivered to customers and stakeholders. Good governance provides an assurance that the organisation has a suitable focus on continuous improvement and quality. Out with the organisation, good governance will show itself through an organisational commitment to public performance reporting about the quality of activities being delivered and commitments for future delivery.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Board and Committee decision-making	Board meetings are held in open session and minutes are	BOARD	On going	Clinical Strategy updates considered at every meeting:
processes are open and transparent.	publically available.  Committee papers and minutes are publically available	COMMITTEES		<ul> <li>Acute Services review</li> <li>Community Transformation Programme</li> <li>Site Optimisation</li> <li>Medicines Efficiency</li> <li>Example of minutes e.g.</li> <li>NHS Fife Area Drugs &amp; Therapeutics Committee</li> <li>Acute Services Division, Clinical Governance Committee</li> <li>Information Governance &amp; Security Group</li> </ul>
				NHS Fife Health & Social

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
				Care Partnership Care & Clinical Governance Committee  Internal Audit Report on Clinical & Care Governance Strategy action plan considered at 9 May 2018
Board and Committee decision-making processes are based on evidence that can show clear links between activities and outcomes	Reports for decision to be considered by Board and Committees should clearly describe the evidence underpinning the proposed decision.	BOARD COMMITTEES	Ongoing	<ul> <li>Reports</li> <li>GMC Review of the Scottish Deanery for Medical Education considered at 4 July 2018</li> <li>Immunisation Report – considered at 5 September 2018</li> <li>Adverse Events Report considered at 7 November 2018</li> <li>Fife Child Protection Annual report considered at 16 January 2019</li> <li>Cyber Resilience Update Report 9 May 2018</li> <li>Director of Public Health Annual Report considered at 6 March 2019</li> </ul>
NHS Fife has developed and implemented an effective and accessible	Complaints system in place and regular complaints monitoring.	CLINICAL GOVERNANCE COMMTTEE	Ongoing	Single complaints process across Fife health & social care system.

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
complaints system in line with Scottish Public Services Ombudsman guidance.			Bi-monthly	NHS Fife Quality Report is discussed at every meeting. Complaints are monitored through the quality report
				Integrated Performance Report considered at every meeting
NHS Fife can demonstrate that it has	Annual feedback	CLINICAL GOVERNANCE COMMITTEE	Annual	PFPI Annual Statement of Assurance considered at 9
clear mechanisms for	Individual feedback	COMMITTEE	Ongoing	May 2018
receiving feedback from service users and responds positively to issues raised.			Quarterly	NHS Fife Quality Report is discussed at every meeting within the report it captures
			Bi-monthly	patient experience.
				Integrated Performance Report considered every meeting



#### **USE OF RESOURCES**

The "Use of Resources" theme focuses on how a Best Value organisation ensures that it makes effective, risk-aware and evidence-based decisions on the use of all of its resources.

#### **OVERVIEW**

A Best Value organisation will show that it is conscious of being publicly funded in everything it does. The organisation will be able to show how its effective management of all resources (including staff, assets, information and communications technology (ICT), procurement and knowledge) is contributing to delivery of specific outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
There is a robust information governance framework in place that ensures proper recording and transparency of all NHS Fife's activities.	Information Governance Group Annual Report.	CLINICAL GOVERNANCE COMMITTEE	Annual	Information Governance Annual Report, Framework and Workplan – Statement of Assurance considered at 9 May 2019  Minutes of Information Governance Group considered at 9 May, 4 July, 7 November 2018 and 16 January 2019  Report from Information Governance & Security Group on compliance with General data Protection Regulations considered at 16 January 2019  eHealth SIRO report considered at 9 May 2018 and 16 January 2019

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife understands	Local Delivery Plan	BOARD	Annual	
and exploits the value of				NHS Fife Quality Report is
the data and information	Integrated Performance Report	COMMITTEES		discussed at every meeting.
it holds.			Bi-monthly	, ,
				Integrated Performance Report considered at every meeting. Caesarean Section Surgical Site Infection considered at 9 May and 4 July 2018

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#### PERFORMANCE MANAGEMENT

The "Performance Management" theme focuses on how a Best Value organisation embeds a culture and supporting processes which ensures that it has a clear and accurate understanding of how all parts of the organisation are performing and that, based on this knowledge, it takes action that leads to demonstrable continuous improvement in performance and outcomes.

#### **OVERVIEW**

A Best Value organisation will ensure that robust arrangements are in place to monitor the achievement of outcomes (possibly delivered across multiple partnerships) as well as reporting on specific activities and projects. It will use intelligence to make open and transparent decisions within a culture which is action and improvement oriented and manages risk. The organisation will provide a clear line of sight from individual actions through to the National Outcomes and the National Performance Framework. The measures used to manage and report on performance will also enable the organisation to provide assurances on quality and link this to continuous improvement and the delivery of efficient and effective outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Performance is systematically measured across all key areas of activity and associated reporting provides an understanding of whether the organisation is on track to achieve its short and long-term strategic, operational and quality objectives	Integrated Performance Report encompassing all aspects of operational performance, LDP targets / measures, and financial, clinical and staff governance metrics.  The Board delegates to Committees the scrutiny of performance  Board receives full Integrated Performance Report and notification of any issues for escalation from Committees.	BOARD	Every meeting	NHS Fife Quality Report is discussed at every meeting.  Integrated Performance Report considered at every meeting.  Minutes from Linked Committees e.g.  NHS Fife Area Drugs & Therapeutics Committee Acute Services Division, Clinical Governance Committee eHealth Board NHS Fife Infection Control

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
				Committee Information Governance & Security Group
The Board and its Committees approve the format and content of the performance reports they receive	The Board / Committees review the Integrated Performance Report and agree the measures.	COMMITTEES BOARD	Annual	NHS Fife Quality Report is discussed at every meeting.  Integrated Performance Report considered at every meetings
Reports are honest and balanced and subject to proportionate and appropriate scrutiny and challenge from the Board and its Committees.	Committee Minutes show scrutiny and challenge when performance is poor as well as good; with escalation of issues to the Board as required	BOARD	Every meeting	NHS Fife Quality Report is discussed at every meeting.  Integrated Performance Report considered at every meetings  Minutes of Committees are considered at every meeting.
The Board has received assurance on the accuracy of data used for performance monitoring.	Performance reporting information uses validated data.	COMMITTEES BOARD	Every meeting	NHS Fife Quality Report is discussed at every meeting.

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
			Annual	Integrated Performance Report considered at every meeting.
NHS Fife's performance management system is effective in addressing areas of underperformance, identifying the scope for improvement, agreeing remedial action, sharing good practice and monitoring implementation.	Encompassed within the Integrated Performance Report	BOARD	Every meeting	NHS Fife Quality Report is discussed at every meeting.  Integrated Performance Report considered at every meeting.  Minutes of Committees  • Area Clinical Forum  • Acute Services Division, Clinical Governance Committee  • NHS Fife Area Drugs & Therapeutics Committee  • Fife Resilience Forum

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#### **CROSS-CUTTING THEME - EQUALITY**

The "Equality" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded an equalities focus which will secure continuous improvement in delivering equality.

#### **OVERVIEW**

Equality is integral to all our work as demonstrated by its positioning as a cross-cutting theme. Public Bodies have a range of legal duties and responsibilities with regard to equality. A Best Value organisation will demonstrate that consideration of equality issues is embedded in its vision and strategic direction and throughout all of its work.

The equality impact of policies and practices delivered through partnerships should always be considered. A focus on setting equality outcomes at the individual Public Body level will also encourage equality to be considered at the partnership level.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife meets the requirements of equality legislation.		BOARD	Ongoing	Clinical Strategy updates considered at every meeting:
The Board and senior managers understand the diversity of their customers and stakeholders.	Equality Impact Assessments are reported to the Board and Committees as required and identify the diverse range of stakeholders.	BOARD COMMITTEES	Ongoing	Clinical Strategy updates considered at every meeting:

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife's policies, functions and service planning overtly consider the different current and future needs and access requirements of groups within the community.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments consider the current and future needs and access requirements of the groups within the community.	BOARD	Ongoing	All have supporting EQIAs  Mental Health Strategy considered at 4 July meeting  All have a completed supporting EQIA.  All NHS Fife policies have a EQIA completed and approved. The EQIA goes alongside the policy when uploaded onto the intranet.  The quality report captures clinical policies and procedures compliance.
Wherever relevant, NHS Fife collects information and data on the impact of policies, services and functions on different equality groups to help inform future decisions.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments will collect this information to inform future decisions.	BOARD COMMITTEES	Ongoing	

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## ANNUAL STATEMENT OF ASSURANCE FOR THE FINANCE, PERFORMANCE & RESOURCES COMMITTEE 2018/19

### 1. Purpose of Committee

1.1 The purpose of the Committee is to keep under review the financial position and performance against key non-financial targets of the Board, and to ensure that suitable arrangements are in place to secure economy, efficiency and effectiveness in the use of all resources, and that the arrangements are working effectively.

## 2. Membership of Committee

2.1 During the financial year to 31 March 2019, membership of the Finance, Performance and Resources Committee comprised:

Chair	Ms R Laing	
Members	Dr L Bisset	
	Ms S Braiden (since 01.11.18)	
	Mr E Clarke	
	Mrs W Brown	
	Ms J Owens	
	Mr P Hawkins	
	Mrs C Potter	
	Dr F Elliot (until 28.02.19)	
	Dr C McKenna (since 01.03.19)	
	Ms H Buchanan	
	Dr M Hannah (until 02.09.18)	
	Ms D Milne (since 03.08.18)	

2.2 The Committee may invite individuals to attend the Committee meetings, but the Chief Operating Officer, Director of Health & Social Care and Director of Estates & Facilities will normally be in attendance.

### 3. Meetings

- 3.1 The Committee met on six occasions during the financial year to 31 March 2019, on the undernoted dates:
  - 15 May 2018
  - 10 July 2018
  - 11 September 2018
  - 13 November 2018

- 15 January 2019
- 12 March 2019
- 3.2 The attendance schedule is attached at Appendix 1.

#### 4. Business

- 4.1 In March 2018, the Board's Financial Plan and Revenue Budget Proposals for 2018/19 were approved by the Board. At each meeting of the Finance, Performance and Resources Committee the most up to date financial position for the year was considered for both revenue and capital expenditure. This function is of central importance as the committee provides detailed scrutiny of the ongoing financial position and all aspects of operational performance across NHS Fife activities, including those delegated to the Integration Joint Board.
- 4.2 Considerable time was spent in meetings discussing and reviewing the financial pressures facing the Board, the delivery of in year savings and consideration of future year service changes and financial consequences.
- 4.3 The Committee also received detailed reports on the financial outlook for 2019/20 and beyond from September onwards, with the detailed financial plan and budget setting considered in March 2019.
- 4.4 The Committee scrutinised performance at each meeting through review of the Integrated Performance Report. During 2018/19 the Integrated Performance Report was further developed to improve layout, content and provide clearer data analysis, trend and interpretation. There was increased clarity, and subsequently increased scrutiny, of matters within the IPR of specific relevance to the Committee.
- 4.5 The Committee considered matters in relation to the following capital schemes:
  - Disposal of Assets surplus land at Skeith Health Centre
  - Initial Agreement Documents Elective Orthopaedic Centre.
- 4.6 The Committee also received reports on the management of Capital schemes in general.
- 4.7 Details of the business items considered are attached at Appendix 2.
- 4.8 Minutes of the meetings of the Committee have been timeously submitted to the Board for its information, with specific matters for escalation from the Committee Chair highlighted in writing to the Board.

#### 5. Outcomes

- 5.1 The Committee has, through its scrutiny and monitoring of regular finance reports and other one-off reports, been able to assure the Board that NHS Fife:
  - complied with statutory financial requirements and achieved its financial targets for the financial year 2018/19;
  - met specific reporting timetables to both the Board and the Scottish Government Health & Social Care Directorates;

- made progress in the delivery of efficiency savings (on a recurring and non recurring mix); and
- has taken account of planned future policies and known or foreseeable future developments in the financial planning process.

## 6 Best Value

6.1 Since 2013/14 the Board has been required to provide overt assurance on Best Value. A revised Best Value Framework was considered and agreed by the NHS Board in January 2018. Appendix 3 provides evidence of where and when the Committee considered the relevant characteristics during 2018/19.

## 7 Risk Management

7.1 In line with the Board's agreed risk management arrangements, the Finance, Performance & Resources Committee, as a governance committee of the Board, has considered risk through a range of reports and scrutiny, including oversight on the detail, and introduction, of the Board Assurance Framework. Progress and appropriate actions were noted.

## 8 Self Assessment

8.1 The Committee has undertaken a self assessment of its own effectiveness, utilising a revised questionnaire considered and approved by the Committee in November 2018. Attendees were also invited to participate in this exercise, which was carried out via a more easily-accessible online portal. A report summarising the findings of the survey was considered and approved by the Committee at its March 2019 meeting, and action points are being taken forward at both Committee and Board level.

## 9. Conclusion

- 9.1 As Chair of the Finance, Performance and Resources Committee at 31 March 2019, I am satisfied that the integrated approach, the frequency of meetings, the breadth of the business undertaken and the range of attendees at meetings of the Committee has allowed us to fulfil our remit as detailed in the Code of Corporate Governance. As a result of the work undertaken during the year, I can confirm that adequate financial planning and monitoring and governance arrangements were in place throughout NHS Fife during the year, including scrutiny of all aspects of non financial performance metrics.
- 9.2 I would pay tribute to the dedication and commitment of fellow members of the Committee and to all attendees. I would thank all those members of staff who have prepared reports and attended meetings of the Committee.

Signed: A. Laing

Rona Laing, Chair

On behalf of the Finance, Performance and Resources Committee

# FINANCE, PERFORMANCE AND RESOURCES COMMITTEE ATTENDANCE RECORD 2018/19

	15.05.18	10.07.18	11.09.18	13.11.18	15.01.19	12.03.19
Ms R Laing (Chair)	√	√	√	√	х	V
Dr L Bisset	√	√	√	<b>V</b>	√ Acting Chair	V
Ms S Braiden (since 01.11.19)				√	√	V
Mr E Clarke	√	√	√	√	√	V
Mrs W Brown	х	√	√	√	√	V
Ms J Owens	√	√	√	√	√	V
Mr P Hawkins	√	x	√	x	√	х
Mrs C Potter	√	√	√	√	√	√
Dr F Elliot (until 28.02.19)	√	√	√	√	√	
Dr C McKenna (since 01.03.19)					√	х
Ms H Buchanan	√	√	√	х	√	х
Dr M Hannah (until 02.09.18)	х	х				
Ms D Milne (since 03.09.18)			√	х	√	√
In attendance						
Mr M Kellet		√		√	√	$\checkmark$
Mr A Fairgrieve	V		√	√	√	
Mrs J Gardner	V	√	√	√		
Ms J McPhail	√		√			
Dr G MacIntosh			√	√	√	√
Ms A Clyne (Audit Scotland)						V
Ms S Davidson (Audit Scotland)					√	
Mrs V Hatch					√	
Ms B A Nelson			√			
Mrs E McPhail					V	√

# FINANCE, PERFORMANCE AND RESOURCES COMMITTEE SCHEDULE OF BUSINESS CONSIDERED 2018/19

## 15 May 2018

Progress on Regional Plan

Update on Financial Plan 2018/19

Property & Asset Management Strategy

Integrated Performance Report

Winter Plan & Performance Winter Report

eHealth Quarterly Report

Annual Assurance Statement including Best Value Framework

Board Assurance Framework & Corporate Risks

Committee Self Assessment Checklist

Stratheden IPCU Post Project Evaluation

Internal Audit Report B21c/18 - Staff Lottery

Cyber Resilience Update

## 10 July 2018

Site Optimisation

Risk Share Arrangement

Progress on Regional Plan

Update on Savings & Service Reviews 2018/19

**Property & Asset Management Strategy** 

Integrated Performance Report

Review of Winter 2017/18

Response to the Independent Review of NHS Tayside by Grant Thornton LLP

**Board Assurance Framework** 

- (i) Financial Sustainability
- (ii) Strategic Planning
- (iii) Environmental Sustainability

Stratheden IPCU Post Project Evaluation

Internal Audit Plan 2018/19

Annual Internal Audit Report

## 11 September 2018

**IJB Approved Budgets** 

Mental Health Performance

Adult Social Care Forecasting

Progress on Regional Plan

Site Optimisation

**Property & Asset Management Strategy** 

Implications of Brexit - NHS Workforce

Flash Glucose Monitoring System (Freestyle Libre Sensors) Potential impact on

General Practice Prescribing Budget

Integrated Performance Report

Update on Savings 2018/19

Winter Planning 2018/19

**Board Assurance Framework** 

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- (i) Financial Sustainability
- (ii) Strategic Planning
- (iii) Environmental Sustainability

Committee Self Assessment Checklist

Corporate Calendar – 2019/20 Meeting Dates

Annual Accounts – Progress Update on Audit Recommendations

Internal Audit Report B11/18 - Policies & Procedures

**Primary Medical Services Sub-Committee** 

- (i) Constitution and Terms of Reference
- (ii) Minutes of Meeting 5 June 2018

#### **13 November 2018**

Mental Health Performance

Kincardine & Lochgelly Health Centres

**Board Finance & Performance Workshop** 

Progress on Regional Plan

Financial Outlook 2019/20–2021/22 (incorporating Budget Setting 2019/20)

Site Optimisation

Winter Planning

**Provision of Orthopaedics Services** 

**Integrated Performance Report** 

**Board Assurance Framework** 

- (i) Financial Sustainability
- (ii) Strategic Planning
- (iii) Environmental Sustainability

Public Private Partnership Annual Report

Committee Self Assessment Checklist

Review of Policies & Procedures

Annual Accounts - Progress Update on Audit Recommendations

IJB Finance & Performance Committee Minutes, 25 September 2018

IJB Finance & Performance Committee Minutes (Special Meeting), 11 October 2018

## 15 January 2019

Mental Health Support in Schools

Progress on Regional Plan

Draft Financial Plan 2019/20-2021/22

Waiting Times Improvement Plan

Integrated Performance Report

Winter Performance Report

**Board Assurance Framework** 

- (i) Financial Sustainability
- (ii) Strategic Planning
- (iii) Environmental Sustainability

State of NHSS Assets & Facilities Report

Stratheden IPCU Benefits Realisation

Annual Accounts – Progress Update on Audit Recommendations

Update on Annual Workplan 2018/19

Minutes of Primary Medical Services Sub Committee, 4 December 2018

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## 12 March 2019

Kincardine & Lochgelly Health Centre Update

**Our Minds Matter** 

Update on CAMHS Trials and Impact on Performance

Stratheden Intensive Psychiatric Care Unit - Smoking Area

**Board Assurance Framework** 

- (i) Financial Sustainability
- (ii) Strategic Planning
- (iii) Environmental Sustainability

Annual Workplan 2019/20

Committee Terms of Reference

Committee Self Assessment Checklist

Annual Accounts - Progress Update on Audit Recommendations

Update from Brexit Assurance Group

**Annual Operational Plan** 

Capital Programme 2019/20-2021/22

Financial Plan 2019/20–2021/22 and Budget Setting 2019/20

Orthopaedic Elective Centre Update

Integrated Performance Report

Winter Performance Report

Schedule of Meeting Dates 2019/20

## **BEST VALUE FRAMEWORK**

## Vision and Leadership

A Best Value organisation will have in place a clear vision and strategic direction for what it will do to contribute to the delivery of improved outcomes for Scotland's people, making Scotland a better place to live and a more prosperous and successful country. The strategy will display a clear sense of purpose and place and be effectively communicated to all staff and stakeholders. The strategy will show a clear direction of travel and will be led by Senior Staff in an open and inclusive leadership approach, underpinned by clear plans and strategies (aligned to resources) which reflect a commitment to continuous improvement.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Resources required to achieve the strategic plan and operational plans e.g. finance, staff, asset base are identified and additional / changed resource requirements identified.	Financial Plan Workforce Plan Property & Asset Management Strategy	FINANCE, PERFORMANCE & RESOURCES COMMITTEE  STAFF GOVERNANCE COMMITTEE  BOARD	Annual Annual Annual Bi-annual Bi-monthly	Annual Operational Plan Financial Plan Workforce Plan Property & Asset Management Strategy Integrated Performance Report
The strategic plan is translated into annual operational plans with meaningful, achievable actions and outcomes and clear responsibility for action.	Winter Plan Capacity Plan	FINANCE, PERFORMANCE & RESOURCES COMMITTEE  CLINICAL GOVERNANCE COMMITTEE  BOARD	Annual Bi-monthly Bi-monthly	Winter Plan  Minutes of Committees  Integrated Performance Report

## **GOVERNANCE AND ACCOUNTABILITY**

The "Governance and Accountability" theme focuses on how a Best Value organisation achieves effective governance arrangements, which help support Executive and Non-Executive leadership decision-making, provide suitable assurances to stakeholders on how all available resources are being used in delivering outcomes and give accessible explanation of the activities of the organisation and the outcomes delivered.

#### **OVERVIEW**

A Best Value organisation will be able to demonstrate structures, policies and leadership behaviours which support the application of good standards of governance and accountability in how the organisation is improving efficiency, focusing on priorities and achieving value for money in delivering its outcomes. These good standards will be reflected in clear roles, responsibilities and relationships within the organisation. Good governance arrangements will provide the supporting framework for the overall delivery of Best Value and will ensure open-ness and transparency. Public reporting should show the impact of the organisations activities, with clear links between the activities and what outcomes are being delivered to customers and stakeholders. Good governance provides an assurance that the organisation has a suitable focus on continuous improvement and quality. Outwith the organisation, good governance will show itself through an organisational commitment to public performance reporting about the quality of activities being delivered and commitments for future delivery.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Board and Committee decision-making processes are open and transparent.	Board meetings are held in open session and minutes are publically available.  Committee papers and minutes are	BOARD	On going	Intranet
Board and Committee decision-making processes are based on evidence that can show clear links between activities and outcomes	Reports for decision to be considered by Board and Committees should clearly describe the evidence underpinning the proposed decision.	BOARD COMMITTEES	Ongoing	SBAR reports EQIA forms

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## **APPENDIX 3**

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife conducts rigorous review and option appraisal processes of any developments.	Business cases	FINANCE, PERFORMANCE & RESOURCES COMMITTEE	Ongoing	Business Cases

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## **USE OF RESOURCES**

The "Use of Resources" theme focuses on how a Best Value organisation ensures that it makes effective, risk-aware and evidence-based decisions on the use of all of its resources.

## **OVERVIEW**

A Best Value organisation will show that it is conscious of being publicly funded in everything it does. The organisation will be able to show how its effective management of all resources (including staff, assets, information and communications technology (ICT), procurement and knowledge) is contributing to delivery of specific outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife understands and measures and reports on the relationship between cost, quality and outcomes.	Reporting on financial position in parallel with operational performance and other key targets	FINANCE, PERFORMANCE & RESOURCES COMMITTEE	Bi-monthly	Integrated Performance Report
The organisation has a	National Benchmarking	FINANCE, PERFORMANCE	Annual	Financial Plan
comprehensive programme to evaluate and	undertaken through Corporate	& RESOURCES COMMITTEE	Bi-monthly	Integrated Performance Report
assess opportunities for efficiency savings and service improvements including comparison with similar organisations.	Finance Network.  Local benchmarking with similar sized organisation undertaken where information available.	BOARD	Ongoing	Financial overview presentations
	Participation in National Shared Services Programme			
	Systematic review of activity / performance data through use of Discovery tool			

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Organisational budgets and other resources are allocated and regularly monitored.	Annual Operational Plan Integrated Performance Report	FINANCE, PERFORMANCE & RESOURCES COMMITTEE	Bi-monthly	Integrated Performance Report
NHS Fife has a strategy for procurement and the management of contracts (and contractors) which complies with the SPFM and demonstrates appropriate competitive practice.	Code of Corporate Governance Financial Operating Procedures	FINANCE, PERFORMANCE & RESOURCES COMMITTEE	Every three years	Code of Corporate Governance Financial Operating Procedures
NHS Fife understands and exploits the value of the data and information it holds.	Annual Operational Plan Integrated Performance Report	BOARD	Annual Bi-monthly	Annual Operational Plan Integrated Performance Report
Fixed assets including land, property, ICT, equipment and vehicles are managed efficiently and effectively and are aligned appropriately to organisational strategies.	Property and Asset Management Strategy	FINANCE, PERFORMANCE & RESOURCES COMMITTEE	Bi-annual Ongoing Bi-monthly Monthly	Property and Asset Management Strategy  Report on asset disposal  Integrated Performance Report  Minutes of NHS Fife Capital Investment Group

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#### PERFORMANCE MANAGEMENT

The "Performance Management" theme focuses on how a Best Value organisation embeds a culture and supporting processes which ensures that it has a clear and accurate understanding of how all parts of the organisation are performing and that, based on this knowledge, it takes action that leads to demonstrable continuous improvement in performance and outcomes.

## **OVERVIEW**

A Best Value organisation will ensure that robust arrangements are in place to monitor the achievement of outcomes (possibly delivered across multiple partnerships) as well as reporting on specific activities and projects. It will use intelligence to make open and transparent decisions within a culture which is action and improvement oriented and manages risk. The organisation will provide a clear line of sight from individual actions through to the National Outcomes and the National Performance Framework. The measures used to manage and report on performance will also enable the organisation to provide assurances on quality and link this to continuous improvement and the delivery of efficient and effective outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Performance is systematically measured across all key areas of activity and associated reporting provides an understanding of whether the organisation is on track to achieve its short and long-term strategic, operational and quality objectives	Integrated Performance Report encompassing all aspects of operational performance, LDP targets / measures, and financial, clinical and staff governance metrics.  The Board delegates to Committees the scrutiny of performance  Board receives full Integrated Performance Report and notification of any issues for escalation from	COMMITTEES BOARD	Every meeting	Integrated Performance Report  Code of Corporate Governance  Minutes of Committees
	Committees.			

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
The Board and its Committees approve the format and content of the performance reports they receive	The Board / Committees review the Integrated Performance Report and agree the measures.	COMMITTEES BOARD	Annual	Integrated Performance Report
Reports are honest and balanced and subject to proportionate and appropriate scrutiny and challenge from the Board and its Committees.	Committee Minutes show scrutiny and challenge when performance is poor as well as good; with escalation of issues to the Board as required	BOARD	Every meeting	Integrated Performance Report Minutes of Committees
The Board has received assurance on the accuracy of data used for performance monitoring.	Performance reporting information uses validated data.	COMMITTEES BOARD	Every meeting  Annual	Integrated Performance Report  Annual Accounts including External Audit report
NHS Fife's performance management system is effective in addressing areas of underperformance, identifying the scope for improvement, agreeing remedial action, sharing good practice and monitoring implementation.	Encompassed within the Integrated Performance Report	BOARD	Every meeting	Integrated Performance Report  Minutes of Committees

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## **CROSS-CUTTING THEME - SUSTAINABILITY**

The "Sustainability" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded a sustainable development focus in its work.

### **OVERVIEW**

The goal of Sustainable Development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations. Sustainability is integral to an overall Best Value approach and an obligation to act in a way which it considers is most sustainable is one of the three public bodies' duties set out in section 44 of the Climate Change (Scotland) Act 2009. The duty to act sustainably placed upon Public Bodies by the Climate Change Act will require Public Bodies to routinely balance their decisions and consider the wide range of impacts of their actions, beyond reduction of greenhouse gas emissions and over both the short and the long term.

The concept of sustainability is one which is still evolving. However, five broad principles of sustainability have been identified as:

- promoting good governance;
- living within environmental limits;
- achieving a sustainable economy;
- ensuring a stronger healthier society; and
- using sound science responsibly.

Individual Public Bodies may wish to consider comparisons within the wider public sector, rather than within their usual public sector "family". This will assist them in getting an accurate gauge of their true scale and level of influence, as well as a more accurate assessment of the potential impact of any decisions they choose to make.

A Best Value organisation will demonstrate an effective use of resources in the short-term and an informed prioritisation of the use of resources in the longer-term in order to bring about sustainable development. Public bodies should also prepare for future changes as a result of emissions that have already taken place. Public Bodies will need to ensure that they are resilient enough to continue to deliver the public services on which we all rely.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife can demonstrate that it respects the limits of the planets environment, resources and biodiversity in order to improve the environment and ensure that the natural resources needed for life are unimpaired and remain so for future generations.	Sustainability and Environmental report incorporated in the Annual Accounts process.	FINANCE, PERFORMANCE & RESOURCES COMMITTEE  BOARD	Annual	Annual Accounts  Climate Change Template

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## **CROSS-CUTTING THEME - EQUALITY**

The "Equality" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded an equalities focus which will secure continuous improvement in delivering equality.

## **OVERVIEW**

Equality is integral to all our work as demonstrated by its positioning as a cross-cutting theme. Public Bodies have a range of legal duties and responsibilities with regard to equality. A Best Value organisation will demonstrate that consideration of equality issues is embedded in its vision and strategic direction and throughout all of its work.

The equality impact of policies and practices delivered through partnerships should always be considered. A focus on setting equality outcomes at the individual Public Body level will also encourage equality to be considered at the partnership level.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife meets the requirements of equality legislation.		BOARD	Ongoing	EQIA form on all reports
The Board and senior managers understand the diversity of their customers and stakeholders.	Equality Impact Assessments are reported to the Board and Committees as required and identify the diverse range of stakeholders.	BOARD	Ongoing	EQIA form on all reports
NHS Fife's policies, functions and service planning overtly consider the different current and future needs and access requirements of groups within the community.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments consider the current and future needs and access requirements of the groups within the community.	BOARD	Ongoing	Clinical Strategy EQIA forms on reports

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## **APPENDIX 3**

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
Wherever	In accordance	BOARD	Ongoing	EQIA forms on
relevant, NHS	with the Equality			reports
Fife collects	and Impact	COMMITTEES		
information and	Assessment			
data on the	Policy, Impact			
impact of	Assessments will			
policies, services	collect this			
and functions on	information to			
different equality	inform future			
groups to help	decisions.			
inform future				
decisions.				

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#### NHS FIFE

## ANNUAL STATEMENT OF ASSURANCE OF NHS FIFE STAFF GOVERNANCE **COMMITTEE FOR 2018/19**

## **PURPOSE**

- 1.1 The purpose of the Staff Governance Committee is to support the development of a culture within the health system where the delivery of the highest standard possible of staff management is understood to be the responsibility of everyone working within the system, and is built upon partnership and collaboration, and within the direction provided by the Staff Governance Standard.
- 1.2 To assure the Board that the Staff Governance arrangements in the Integration Joint Board are working effectively.
- 1.3 To escalate any issues to the NHS Fife Board if serious concerns are identified regarding staff governance issues within all services, including those devolved to the Integration Joint Board.

#### **MEMBERSHIP**

The membership of the Committee for the year ending 31 March 2019 comprised:

Mr Martin Black, Non Executive Director, Fife NHS Board (Chair → 01.11.18) Mrs Margaret Wells, Non Executive Director, Fife NHS Board (Chair 01.11.18 → present) Mr Simon Little, Non Executive Director, Fife NHS Board (→ 26.10.18) Mr Eugene Clarke, Non Executive Director, Fife NHS Board Mrs Christina Cooper, Non Executive Director, Fife NHS Board Mr Paul Hawkins, Chief Executive, Fife NHS Board

Ms Helen Buchanan, Director of Nursing, Fife NHS Board Mrs Wilma Brown, Employee Director, Fife NHS Board

Mr Simon Fevre, Staff Side Chair, K&L LPF, Fife NHS Board

Mr A Verrecchia, Staff Side Chair, Acute Services LPF, Fife NHS Board

Vacancy - Non Executive Director

In addition, the following people regularly attend the Committee meetings and participate in the business of the Committee:

Ms Barbara Anne Nelson, Director of Workforce, Fife NHS Board Mrs Jann Gardner, Chief Operating Officer, Acute Services, Fife NHS Board (→ January 2019) Mr Michael Kellet, Director of Health & Social Care Partnership, Fife Council Mrs Ellen Ryabov, Chief Operating Officer, Acute Services, Fife NHS Board (January 2019 →)

Other attendees, deputies and guests are recorded in the minutes of the Committee meetings.

#### **MEETINGS**

The Committee met on six occasions during the period from 1 April 2018 to 31 March 2019.

4<sup>th</sup> May 2018 29<sup>th</sup> June 2018 4<sup>th</sup> September 2018 2<sup>nd</sup> November 2018 18<sup>th</sup> January 2019 1<sup>st</sup> March 2019

The attendance schedule is attached as Appendix 1.

#### **BUSINESS**

Details of business items considered during the period 1 April 2018 to 31 March 2019 are attached at Appendix 2.

## **BEST VALUE**

Since 2013/14 the Board has been required to provide overt assurance on Best Value. A revised Best Value Framework was considered and agreed by the NHS Board in January 2018. Appendix 3 provides evidence of where and when the Committee considered the relevant characteristics during 2018/19.

## **RISK MANAGEMENT**

In line with the Board's agreed risk management arrangements, the Audit & Risk Committee, as a governance committee of the Board, has considered risk through a range of reports and scrutiny, including oversight on the detail, and introduction, of the Board Assurance Framework. Progress and appropriate actions were noted.

#### **SELF ASSESSMENT**

The Committee has undertaken a self assessment of its own effectiveness, utilising a revised questionnaire considered and approved by the Committee in November 2018. Attendees were also invited to participate in this exercise, which was carried out via a more easily-accessible online portal. A report summarising the findings of the survey was considered and approved by the Committee at its March 2019 meeting, and action points are being taken forward at both Committee and Board level.

### CONCLUSION

As Chair of the Staff Governance Committee during financial year 2018/19, I am satisfied that the integrated approach, the frequency of meetings, the breadth of the business undertaken and the range of attendees at meetings of the Committee has allowed us to fulfil our remit as detailed in the Code of Corporate Governance. As a result of the work undertaken during the year, I can confirm that adequate Staff Governance planning and monitoring arrangements were in place throughout NHS Fife during the year.

I would pay tribute to the dedication and commitment of fellow members of the Committee and to all attendees. I would thank all those members of staff who have prepared reports and attended meetings of the Committee.

M Wells Chair

**Staff Governance Committee** 

Appendix 1 – attendance schedule of meetings

Appendix 2 – Business Appendix 3 – Best Value

# Appendix 1 NHS FIFE STAFF GOVERNANCE COMMITTEE ATTENDANCE RECORD 1 APRIL 2018 – 31 MARCH 2019

Committee Member	Designation	Dates					
		04.05.18	29.06.18	04.09.18	02.11.18	18.01.19	01.03.19
Mr M Black	Non Executive Board Member (Chair → 01.11.18)	✓	✓	<b>✓</b>	Handover	N/A	N/A
Mrs M Wells	Non Executive Board Member (Chair 01.11.18→ present)	N/A	N/A	N/A	<b>✓</b>	✓	<b>✓</b>
Mr E Clarke	Non Executive Board Member	X	✓	✓	<b>✓</b>	✓	<b>✓</b>
Mr S Little	Non Executive Board Member	<b>✓</b>	Х	✓	N/A	N/A	N/A
Mrs C Cooper	Non Executive Board Member	<b>✓</b>	Х	<b>✓</b>	<b>✓</b>	✓	Х
Mr P Hawkins	Chief Executive	Х	Х	✓	Х	х	Х
Ms H Buchanan	Director of Nursing	<b>✓</b>	Х	✓	<b>✓</b>	✓	Х
Mrs W Brown	Employee Director	<b>✓</b>	✓	✓	<b>✓</b>	<b>✓</b>	<b>✓</b>
Mr S Fevre	Staff Side Chair, LPF, K & L	<b>✓</b>	✓	<b>√</b>	<b>√</b>	<b>√</b>	Х
Mr A Verrecchia	Staff Side chair, Acute Services LPF	<b>✓</b>	<b>√</b>	Х	<b>✓</b>	<b>√</b>	<b>✓</b>

Deputies	Deputy for	Dates					
		04.05.18	29.06.18	04.09.18	02.11.18	18.01.19	01.03.19
Mrs L Parsons	Simon Fevre	N/A	N/A	N/A	N/A	N/A	X
Mr P Hayter	Andrew Verrecchia	N/A	N/A	Х	N/A	N/A	N/A

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In attendance	Designation	Dates					
		04.05.18	29.06.18	04.09.18	02.11.18	18.01.19	01.03.19
Ms B A Nelson	Director of Workforce	✓	✓	✓	✓	✓	✓
Mr Michael Kellet	Director of H&SC Partnership	<b>✓</b>	Х	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>
Ms J Gardner	Chief Operating Officer, Acute Services (→ Jan 2019)	<b>√</b>	<b>✓</b>	<b>✓</b>	Х	N/A	N/A
Mrs E Ryabov	Chief Operating Officer, Acute Services (Jan 2019 →)	N/A	N/A	N/A	N/A	N/A	Х

Attendees	Designation	Dates					
		04.05.18	29.06.18	04.09.18	02.11.18	18.01.19	01.03.19
Mr B Anderson	Head of Partnership	✓	✓	✓	✓	✓	✓
Mrs R Waugh	Head of HR	✓	✓	Х	Х	✓	✓
Dr G MacIntosh	Head of Corporate Planning & Performance	N/A	N/A	✓	✓	✓	Х
Mrs S Braiden	Non Executive Board Member	N/A	N/A	N/A	N/A	✓	N/A
Ms N Connor	Deputising for Michael Kellet	N/A	✓	N/A	N/A	N/A	N/A
Ms J Owens	Deputising for Helen Buchanan	N/A	✓	N/A	N/A	N/A	N/A
Ms C Dobson	Divisional General Manager (West, H&SCP)	N/A	N/A	✓	N/A	N/A	N/A
Dr F M Elliot	Medical Director (Item 13)	N/A	N/A	N/A	✓	N/A	N/A
Dr W Simpson	Health Psychologist (presentation)	N/A	N/A	N/A	✓	N/A	N/A
Mrs V Hatch	Deputising for Jann Gardner	N/A	N/A	N/A	✓	N/A	N/A
Ms G Couser	Deputising for Acute Services	N/A	N/A	N/A	N/A	✓	✓
Mr A Fairgrieve	Director of Estates, Facilities & Cap Planning (Item 9)	N/A	N/A	N/A	N/A	✓	N/A

## Appendix 2

# NHS FIFE STAFF GOVERNANCE COMMITTEE ITEMS OF BUSINESS CONSIDERED BETWEEN 1 APRIL 2018 AND 31 MARCH 2019

## Standing Items

Declaration of Members Interests
Minutes and Action List of Previous Meetings
Minutes of other Committees/Groups
Well at Work – Attendance Management update
IPR – update
Board Assurance Framework (BAF)

## Meeting held on 4<sup>th</sup> May 2018

- 1. Matters arising
  - KSF TURAS Implementation/Board Wide KSF compliance update
- 2. BAF Community Services update
- 3. Well at Work attendance management update
- 4. Consultant Recruitment update
- 5. Health & Social Care (H&SC) National Report (iMatter and Dignity at Work)
  - a. Sign off 2017/18 Staff Governance Action Plan Year End Review and Sign Off Staff Governance Annual Monitoring Return 2017/18
  - b. Agree Staff Governance Action Plan 2018/19
- 6. Staff Governance Committee Annual Workplan 2018/19
- 7. Annual Assurance Statements: Committee Self Assessment Checklist
- 8. Workforce Strategy
- 9. Integrated Performance Report
- 10. Issues to be Highlighted to the Board
- 11. AOCB staff involvement with decisions affecting them, introduction of Staff Governance Strands on agenda.

## Meeting held on 29th June 2018

- Matters arising
  - Staff Governance Committee Annual Workplan 2018/19- update
  - Scotgem GP Recruitment Initiative
- 2. BAF
- Well at Work attendance management
- 4. Workforce Projections
- 5. Workforce Strategy
- 6. eESS Update
  - Focus on Appropriately Trained and Developed SG Standard
- 7. TURAS Update
- 8. Core Training Update
- 9. Integrated Performance Update
- 10. AOCB discussion on independent review by Grant Thornton

## Meeting held on 4<sup>th</sup> September 2018

- 1. Matters arising
  - Staff Governance Committee Annual Workplan 2018/19 update
- 2. BAF
- 3. Well at Work Attendance Management Update
  - Attendance management update
  - KSF TURAS
  - Regional Developments
- 4. Workforce Strategy
- 5. Focus on Treated Fairly and Consistently with Dignity and Respect SG Standard
  - HR Policy Monitoring Update
  - Dignity at Work Action Plan

Focus on Well Informed SG Standard

- Communication / Feedback
- 6. Remuneration Sub-Committee Terms of Reference
- 7. Nurse Recruitment Update
- 8. Young Peoples Workforce Strategy
- 9. Primary Care Emergency Services (PCES) Review of Payment Rates for Sessional GPs
- 10. Staff Governance Annual Monitoring Return 2017-2018 response
- 11. Integrated Performance Report
- 12. Issues to be Highlighted to the Board

## Meeting held on 2<sup>nd</sup> November 2018

- 1. Going Beyond Gold presentation by Dr W Simpson
- 2. BAF Staff Governance Risks
- 3. Well at Work
  - Attendance Management update
- 4. Workforce Strategy
- 5. Focus on Involved in Decisions
  - iMatter update
  - KSF/TURAS update
- 6. Staff Governance Action Plan Review
- 7. Staff Governance Annual Monitoring Return 2017-18 response
- 8. Medical Revalidation & Appraisal Report
- 9. Proposed Committee Self Assessment Checklist
- 10. Integrated Performance Report
- 11. Issues to be Highlighted to the Board

## Meeting held on 18th January 2019

- BAF Staff Governance Risks
- 2. Well at Work attendance management update
- 3. Workforce Strategy
  - Provided with a Continuously Improving and Safe Working Environment
- 4. Focus on Staff Governance Strand

- 5. HR Policies Monitoring Update
- 6. Core Training Update
- 7. Consultant Recruitment Update
- 8. Remuneration Sub-Committee Terms of Reference
- 9. Integrated Performance Report
- 10. Issues to be Highlighted to the Board
- 11. AOCB Brexit

## Meeting held on 1st March 2019

- 1. BAF Staff Governance Risks
- 2. Well at Work attendance management update
- 3. Workforce Information Dashboard
- 4. Draft Staff Governance Action Plan
  - Scottish Government Staff Governance Self Assessment letter
- 5. iMatter update
- 6. Draft Staff Governance Workplan 2019/20
- 7. Staff Governance Committee Terms of Reference
- 8. Staff Governance Committee Dates 2019/20
- 9. Staff Governance Committee Self Assessment Report 2018-19
- 10. Integrated Performance Report
- 11. Issues to be Highlighted to the Board
- 12. AOCB Brexit

## Minutes for Noting at each meeting

Area Partnership Forum
Acute Services Division& Corporate LPF
Health & Social Care LPF
Remuneration Sub Committee

## **VISION AND LEADERSHIP**

A Best Value organisation will have in place a clear vision and strategic direction for what it will do to contribute to the delivery of improved outcomes for Scotland's people, making Scotland a better place to live and a more prosperous and successful country. The strategy will display a clear sense of purpose and place and be effectively communicated to all staff and stakeholders. The strategy will show a clear direction of travel and will be led by Senior Staff in an open and inclusive leadership approach, underpinned by clear plans and strategies (aligned to resources) which reflect a commitment to continuous improvement.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife acts in accordance with its values, positively promotes and measures a culture of ethical behaviours and encourages staff to report breaches of its values.	Whistle blowing Policy Code of Corporate Governance	BOARD STAFF GOVERNANCE COMMITTEE	Annual	Model Code of Conduct included in Code of Corporate Governance
Resources required to achieve the strategic plan and operational plans e.g. finance, staff, asset base are identified and additional / changed resource requirements identified.	Financial Plan Workforce Plan Property & Asset Management Strategy	FINANCE, PERFORMANCE & RESOURCES COMMITTEE  STAFF GOVERNANCE COMMITTEE  BOARD	Annual Annual Annual Bi-annual Bi-monthly	Annual Operational Plan Financial Plan Workforce Plan Property & Asset Management Strategy Integrated Performance Report

### **GOVERNANCE AND ACCOUNTABILITY**

The "Governance and Accountability" theme focuses on how a Best Value organisation achieves effective governance arrangements, which help support Executive and Non-Executive leadership decision-making, provide suitable assurances to stakeholders on how all available resources are being used in delivering outcomes and give accessible explanation of the activities of the organisation and the outcomes delivered.

#### **OVERVIEW**

A Best Value organisation will be able to demonstrate structures, policies and leadership behaviours which support the application of good standards of governance and accountability in how the organisation is improving efficiency, focusing on priorities and achieving value for money in delivering its outcomes. These good standards will be reflected in clear roles, responsibilities and relationships within the organisation. Good governance arrangements will provide the supporting framework for the overall delivery of Best Value and will ensure open-ness and transparency. Public reporting should show the impact of the organisations activities, with clear links between the activities and what outcomes are being delivered to customers and stakeholders. Good governance provides an assurance that the organisation has a suitable focus on continuous improvement and quality. Outwith the organisation, good governance will show itself through an organisational commitment to public performance reporting about the quality of activities being delivered and commitments for future delivery.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Board and Committee decision-making processes are open and transparent.	Board meetings are held in open session and minutes are publically available.  Committee papers and minutes are publically available	BOARD	On going	Internet
Board and Committee decision-making processes are based on evidence that can show clear links between activities and outcomes	Reports for decision to be considered by Board and Committees should clearly describe the evidence underpinning the proposed decision.	BOARD	Ongoing	SBAR reports EQIA forms
NHS Fife can demonstrate that it has clear mechanisms for receiving feedback from staff and responds positively to issues raised.	Annual feedback Individual feedback	CLINICAL GOVERNANCE COMMITTEE	Annual Ongoing Quarterly Bi-monthly	Annual review Care Opinion Regular meetings with MPs/MSPs Integrated Performance Report

## **USE OF RESOURCES**

The "Use of Resources" theme focuses on how a Best Value organisation ensures that it makes effective, risk-aware and evidence-based decisions on the use of all of its resources.

## **OVERVIEW**

A Best Value organisation will show that it is conscious of being publicly funded in everything it does. The organisation will be able to show how its effective management of all resources (including staff, assets, information and communications technology (ICT), procurement and knowledge) is contributing to delivery of specific outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife ensures that all employees are managed effectively and efficiently, know what is expected of them, their performance is regularly assessed and they are assisted in improving.	eKSF process and Executive and Senior Manager Performance reporting.  Medical performance appraisal.	STAFF GOVERNANCE COMMITTEE  REMUNERATION COMMITTEE	Annual and as required Bi-monthly	eKSF & iMatter reports  Integrated Performance Report
NHS Fife understands and measures the learning and professional development required to support statutory and professional responsibilities and achieve organisational objectives and quality standards.	Medical revalidation report and monitoring Nursing revalidation.	STAFF GOVERNANCE COMMITTEE	Ongoing	Minutes of Staff Governance Committee

# Appendix 3

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Staff performance management recognises and monitors contribution to ensuring continuous improvement and quality.	Service Improvement and Quality are core dimensions of eKSF process.  Executive and Senior Manager Objectives – core collective objectives include performance and leadership.	STAFF GOVERNANCE COMMITTEE REMUNERATION COMMITTEE	Ongoing	Minutes of Staff Governance Committee & Remuneration Committee

### PERFORMANCE MANAGEMENT

The "Performance Management" theme focuses on how a Best Value organisation embeds a culture and supporting processes which ensures that it has a clear and accurate understanding of how all parts of the organisation are performing and that, based on this knowledge, it takes action that leads to demonstrable continuous improvement in performance and outcomes.

## **OVERVIEW**

A Best Value organisation will ensure that robust arrangements are in place to monitor the achievement of outcomes (possibly delivered across multiple partnerships) as well as reporting on specific activities and projects. It will use intelligence to make open and transparent decisions within a culture which is action and improvement oriented and manages risk. The organisation will provide a clear line of sight from individual actions through to the National Outcomes and the National Performance Framework. The measures used to manage and report on performance will also enable the organisation to provide assurances on quality and link this to continuous improvement and the delivery of efficient and effective outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Performance is systematically measured across all key areas of activity and associated reporting provides an understanding of whether the organisation is on track to achieve its short and long-term strategic, operational and quality objectives	Integrated Performance Report encompassing all aspects of operational performance, LDP targets / measures, and financial, clinical and staff governance metrics.  The Board delegates to Committees the scrutiny of performance	BOARD	Every meeting	Integrated Performance Report  Code of Corporate Governance  Minutes of Committees
	Board receives full Integrated Performance Report and notification of any issues for escalation from Committees.			
The Board and its Committees approve the format and content of the performance reports they receive	The Board / Committees review the Integrated Performance Report and agree the measures.	BOARD	Annual	Integrated Performance Report

# Appendix 3

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Reports are honest and balanced and subject to proportionate and appropriate scrutiny and challenge from the Board and its Committees.	Committee Minutes show scrutiny and challenge when performance is poor as well as good; with escalation of issues to the Board as required	COMMITTEES BOARD	Every meeting	Integrated Performance Report Minutes of Committees
The Board has received assurance on the accuracy of data used for	Performance reporting information uses validated data.	COMMITTEES BOARD	Every meeting	Integrated Performance Report
performance monitoring.			Annual	Annual Accounts including External Audit report
NHS Fife's performance management system is effective in	Encompassed within the Integrated Performance Report	COMMITTEES BOARD	Every meeting	Integrated Performance Report
addressing areas of underperformance, identifying the scope for improvement, agreeing remedial action, sharing good practice and monitoring implementation.				Minutes of Committees

### **CROSS-CUTTING THEME - SUSTAINABILITY**

The "Sustainability" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded a sustainable development focus in its work.

## **OVERVIEW**

The goal of Sustainable Development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations. Sustainability is integral to an overall Best Value approach and an obligation to act in a way which it considers is most sustainable is one of the three public bodies' duties set out in section 44 of the Climate Change (Scotland) Act 2009. The duty to act sustainably placed upon Public Bodies by the Climate Change Act will require Public Bodies to routinely balance their decisions and consider the wide range of impacts of their actions, beyond reduction of greenhouse gas emissions and over both the short and the long term.

The concept of sustainability is one which is still evolving. However, five broad principles of sustainability have been identified as:

- promoting good governance;
- living within environmental limits:
- achieving a sustainable economy;
- ensuring a stronger healthier society; and
- using sound science responsibly.

Individual Public Bodies may wish to consider comparisons within the wider public sector, rather than within their usual public sector "family". This will assist them in getting an accurate gauge of their true scale and level of influence, as well as a more accurate assessment of the potential impact of any decisions they choose to make.

A Best Value organisation will demonstrate an effective use of resources in the short-term and an informed prioritisation of the use of resources in the longer-term in order to bring about sustainable development. Public bodies should also prepare for future changes as a result of emissions that have already taken place. Public Bodies will need to ensure that they are resilient enough to continue to deliver the public services on which we all rely.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife promotes personal well- being, social cohesion and inclusion.	Healthy workforce	STAFF GOVERNANCE COMMITTEE BOARD	Ongoing	Well at Work Gold Award

## **CROSS-CUTTING THEME - EQUALITY**

The "Equality" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded an equalities focus which will secure continuous improvement in delivering equality.

## **OVERVIEW**

Equality is integral to all our work as demonstrated by its positioning as a cross-cutting theme. Public Bodies have a range of legal duties and responsibilities with regard to equality. A Best Value organisation will demonstrate that consideration of equality issues is embedded in its vision and strategic direction and throughout all of its work.

The equality impact of policies and practices delivered through partnerships should always be considered. A focus on setting equality outcomes at the individual Public Body level will also encourage equality to be considered at the partnership level.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife meets the requirements of equality legislation.		BOARD	Ongoing	EQIA form on all reports
The Board and senior managers understand the diversity of their customers and stakeholders.	Equality Impact Assessments are reported to the Board and Committees as required and identify the diverse range of stakeholders.	BOARD	Ongoing	EQIA form on all reports
NHS Fife's Performance Management system regularly measures and reports its performance in contributing to the achievement of equality outcomes.		STAFF GOVERNANCE	Ongoing	Minutes
NHS Fife ensures that all members of staff are aware of its equality objectives.	Induction  Equality and Diversity is core dimension in eKSF  Equality and Diversity Learn Pro Module	STAFF GOVERNANCE	Ongoing	iMatter reports  eKSF reports  Minutes

## Appendix 3

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife's policies, functions and service planning overtly consider the different current and future needs and access requirements of groups within the community.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments consider the current and future needs and access requirements of the groups within the community.	BOARD COMMITTEES	Ongoing	Clinical Strategy EQIA forms on reports
Wherever relevant, NHS Fife collects information and data on the impact of policies, services and functions on different equality groups to help inform future decisions.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments will collect this information to inform future decisions.	BOARD	Ongoing	EQIA forms on reports

## **Audit & Risk Committee**



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Service Auditors Audit Reports on Services provided for NHS Fife by External Providers
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)		
		For Assurance
SBAR REPORT		

## **Situation**

In the interests of efficiency, a range of IT or administrative services are provided to NHS Boards from national or regional centres. The most significant are:

Service: Provided by:

 Practitioner & Counter Fraud Services National Services Scotland National Services Scotland National IT Services Contract

National Single Instance of Financial Ledger NHS Ayrshire and Arran

Any weaknesses in the way these services are delivered could impact both on the figures in the Boards Accounts and the Boards ability to deliver on certain objectives. To provide assurance to the NHS that an adequate control environment is in place and operating effectively in those key functions that impact widely on Boards, annual reports are sought by the host Board, from independent service auditors.

## **Background**

The service audits have been carried out in accordance with the International Standard on Assurance Engagement 3402 (ISAE3402). The full reports have been made available to NHS Fife's auditors and are available on request1.

None of these reports raise any issues of sufficient impact to require disclosure in the Boards Governance Statement.

## Assessment

## **National Services Scotland: Practitioner Services**

The report contains an unqualified opinion from the Service Auditors (Scott-Moncrieff).

## **National Information Technology Services Contract**

The report contains an unqualified opinion from the Service Auditors (Scott-Moncrieff).

## **National Single Instance**

The report contains an unqualified opinion from the service auditors (BDO)

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<sup>&</sup>lt;sup>1</sup> NB these reports run to several hundred pages

## Recommendation

The Audit & Risk Committee are asked to

 <u>note</u> the unqualified opinion provided for these services which NHS Fife receives from third parties.

Objectives: (must be completed)	
Healthcare Standard(s):	All
HB Strategic Objectives:	All

Further Information:	
Evidence Base:	NA
Glossary of Terms:	NA
Parties / Committees	
consulted prior to Audit & Risk	
Committee:	

Impact: (must be completed)	
Financial / Value For Money	Statutory requirement to breakeven
Risk / Legal:	Statutory requirement to prepare annual accounts.
Quality / Patient Care: Workforce: Equality:	Financial governance of the Board is undertaken within the context of all aspects of patient care, workforce and equality



## **Audit & Risk Committee**

DATE OF MEETING:	20 June 2019	
TITLE OF REPORT:	Annual Statement of Assuran	ce for the Audit & Risk
	Committee 2018/19	
<b>EXECUTIVE LEAD:</b>	Carol Potter, Director of Finar	nce & Performance
REPORTING OFFICER:	Carol Potter, Director of Finar	nce & Performance
Purpose of the Report (delete as appropriate)		
For Decision	For Discussion	For Information
SBAD DEDODT		

## Situation

All formal Committees of the NHS Board are required to provide an Annual Statement of Assurance for the NHS Board. The requirement for these statements is set out in the Code of Corporate Governance.

## **Background**

Each Committee must consider its proposed Annual Statement at the first Committee meeting of the new financial year or agreed with the Chair of the respective Committee by the end of May each year, for presentation to the Audit & Risk Committee and NHS Board in June.

At the Committee's last meeting in May, after consideration of the draft report, it was agreed a more detailed Annual Assurance Statement should be produced and the final report be brought back in June for approval. An amended draft is therefore attached.

## Assessment

The Audit & Risk Committee has a duty to provide an Annual Statement of Assurance on its own area of remit. A draft, amended Statement for the Audit & Risk Committee for the year 2018/19 is attached for consideration and review. The final Statement is to be considered to approve sign off by the Chair of the Committee.

The Audit & Risk Committee also reviews and considers the Annual Statements of Assurance of the other Committees, confirming whether they have fulfilled their remit and that there are adequate and effective internal controls operating within their particular area of operation. These are included in the June agenda as part of the overall governance and assurances linked to the annual accounts process.

## Recommendation

Members of the Audit & Risk Committee are asked to:

approve the Annual Statement of Assurance for the Audit & Risk Committee 2018/19.

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Objectives: (must be completed	
Healthcare Standard(s):	Governance and assurance is relevant to all Healthcare
	Standards.
HB Strategic Objectives:	All
Further Information:	
Evidence Base:	N/A
Glossary of Terms:	
Parties / Committees consulted	
prior to meeting:	
Impact: (must be completed)	
Financial / Value For Money	These factors are a key component of the assurance
Risk / Legal:	process
Quality / Patient Care:	
Workforce:	
Equality:	



# ANNUAL STATEMENT OF ASSURANCE FOR THE AUDIT & RISK COMMITTEE 2018/19

## 1. Purpose of Committee

- 1.1 The purpose of the Audit & Risk Committee is to provide the Board with assurance that the activities of Fife NHS Board are within the law and regulations governing the NHS in Scotland and that an effective system of internal control is maintained.
- 1.2 The duties of the Audit & Risk Committee shall be in accordance with the <u>Audit & Assurance Committee Handbook</u>, dated March 2018.

## 2. Membership of Committee

2.1 During the financial year to 31 March 2019, membership of the Audit & Risk Committee comprised:

Chair	Ms C Cooper (until 31.10.18) Mr M Black (since 01.11.18)
Members	Ms S Braiden (since 01.11.18) Ms J Owens Councillor D Graham Ms M Wells

2.2 The Committee may invite individuals to attend the Committee meetings, but the Board Chief Executive, Director of Finance, Board Secretary, Chief Internal Auditor and statutory External Auditor will normally be in attendance.

## 3. Meetings

- 3.1 The Committee met on five occasions during the year to 31 March 2019, on the undernoted dates:
  - 17 May 2018
  - 21 June 2018
  - 13 September 2018
  - 13 December 2018
  - 14 March 2019
- 3.2 The attendance schedule is attached at Appendix 1.

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#### 4. Business

- 4.1 Details of the substantive business items considered by each meeting are attached at Appendix 2. Minutes of the meetings of the Committee have been timeously submitted to the Board for its information. The range of business covered at the meeting demonstrates that the full range of matters identified in the Audit & Risk Committee's remit is being addressed. In line with its Constitution and Terms of Reference, the Committee has considered agenda items concerned with the undernoted aspects:
  - Internal Control and Corporate Governance;
  - Internal Audit;
  - External Audit;
  - the Code of Corporate Governance and Standing Financial Instructions;
  - Annual Accounts;
  - Risk Management;
  - Board Assurance Framework; and
  - other relevant matters arising during the year.
- 4.2 Additionally, the Committee has considered the findings of Grant Thomson's independent review of NHS Tayside as relates to best practice in the operation of Audit & Risk Committees, as part of a broader review benchmarking NHS Fife against the conclusions of the report. During the year, Internal Audit made a number of formatting changes to their reporting style, in light of the review's recommendations, to improve the detail provided on key findings and to better align internal audit reports with the Board's risk register.
- 4.3 The Committee also reviewed and discussed the two Audit Scotland publications: (i) the NHS in Scotland 2018; and (ii) Health & Social Care Integration: Update on Progress, noting the key recommendations made therein, particularly as relates to improved governance and reporting arrangements that should be established with the Health & Social Care Partnership and the Integration Joint Board (IJB).
- 4.4 In relation to the internal audit function, the Committee received regular updates on the external quality evaluation underway in 2018-19 of the FTF Internal Audit service, in accordance with Public Sector Internal Audit Standards. As key stakeholders and as part of the validated self-assessment exercise, Committee members were invited to submit a review questionnaire on the quality of the service provided. The final External Quality Assessment report and related action plan were considered by the Committee at its meeting in May 2019.
- 4.5 In March 2019, the Committee approved the Fife IJB Information Sharing Protocol (which has also been approved by the Fife Council Standards & Audit Committee and the IJB Audit & Risk Committee). The overall aim of this protocol is to enable sharing of internal audit outputs in a controlled manner with partnership Audit Committees, where it is considered recommendations apply to one or more of the other partners for assurance purposes.
- 4.6 During the year, members of the Committee attended and participated in a local training session hosted by the external provider *On Board*. This provided tailored and specific training for members and attendees, covering best practice arrangements for Audit & Risk Committees.

#### 5. Best Value

5.1 Since 2013/14 the Board has been required to provide overt assurance on Best Value. A revised Best Value Framework was considered and agreed by the NHS Board in January 2018. Appendix 3 provides evidence of where and when the Committee considered the relevant characteristics during 2018/19.

# 6. Risk Management

- 6.1 In line with the Board's agreed risk management arrangements, the Audit & Risk Committee, as a governance committee of the Board, has considered risk through a range of reports and scrutiny, including oversight on the detail of the Board Assurance Framework. Progress and appropriate actions were noted, and a number of changes to mitigating and operational risks amended to reflect external developments such as Brexit. A stand-alone eHealth BAF is currently being prepared for the Committee's consideration.
- 6.2 The Committee received updates on activity related to the risk management workplan, including the ongoing discussions with Board members to determine the Board's risk appetite thresholds, in delivery of the risk management framework. A short-life working group, involving all Board standing Committee Chairs, has been established, following further discussion on this topic at a Board Development Session in October 2018, to help formalise a set of risk appetite statements and to define definitions of risk appetite and risk tolerance.

#### 7. Self Assessment

7.1 The Committee has undertaken a self assessment of its own effectiveness, utilising a revised questionnaire considered and approved by the Committee in November 2018. Attendees were also invited to participate in this exercise, which was carried out via a more easily-accessible online portal. A report summarising the findings of the survey was considered and approved by the Committee at its March 2019 meeting, and action points are being taken forward at both Committee and Board level.

#### 8. Conclusion

- 8.1 As Chair of the Audit & Risk Committee during financial year 2018/19, I am satisfied that the integrated approach, the frequency of meetings, the breadth of the business undertaken and the range of attendees at meetings of the Committee has allowed us to fulfil our remit as detailed in the Code of Corporate Governance. As a result of the work undertaken during the year, I can confirm that adequate and effective governance arrangements were in place throughout NHS Fife during the year.
- 8.2 I can confirm that there were no significant control weaknesses or issues at the year end which the Committee considers should be disclosed in the Governance Statement, as they may have impacted financially or otherwise in the year or thereafter.

8.3 I would pay tribute to the dedication and commitment of fellow members of the Committee and to all attendees. I would thank all those members of staff who have prepared reports and attended meetings of the Committee.

	(signed)
Mr M Black	,
Chair	

**Appendix 1 – Attendance schedule of meetings** 

Appendix 2 – Business Appendix 3 – Best Value

# **APPENDIX 1**

# **AUDIT & RISK COMMITTEE ATTENDANCE RECORD 2018/19**

Name	Position	17.05.18	21.06.18	13.09.18	13.12.18	14.03.19
Members						
Mrs C Cooper	Chair (until 31.10.18)	✓	<b>√</b>	✓		
Mr M Black	Chair (since 01.11.18)				✓	<b>√</b>
Ms S Braiden	Non Executive Member (since 01.11.18)				Х	✓
Mrs J Owens	Non Executive Member	✓	<b>✓</b>	<b>✓</b>	<b>✓</b>	<b>✓</b>
Cllr D Graham	Non Executive Member	✓	<b>✓</b>	x	x	<b>✓</b>
Ms M Wells	Non Executive Member	✓	<b>✓</b>	✓	✓	✓
In Routine Attenda			I			T /
Mr P Hawkins	Chief Executive	<b>√</b>	X	<b>√</b>	<b>√</b>	<b>√</b>
Mrs C Potter	Director of Finance	✓	<b>✓</b>	<b>✓</b>	<b>✓</b>	✓
Mr T Gaskin	Chief Internal Auditor	X	<b>√</b>	<b>√</b>	✓	X
Mr B Hudson	Regional Audit Manager, Fife	✓	✓	✓	✓	✓
Mr A Brown	Principal Auditor	✓				
Mr B Howarth	Audit Scotland		✓			
Mrs P Tate	Audit Scotland	✓			✓	✓
Mrs S Davidson	Audit Scotland		✓			
Ms H Buchanan	Director of Nursing	✓		✓	✓	✓
Dr G MacIntosh	Board Secretary			✓	<b>✓</b>	<b>✓</b>
Dr F Elliot	Medical Director		<b>✓</b>			
Ms J Gardner	Interim Chief Operating Officer		✓			
Mr A Mitchell	Thomson Cooper (Annual Accounts Endowments)		✓			
Mrs R Robertson	Deputy Director of Finance	✓	✓			
Mr M Doyle	Assistant Director of Finance		<b>√</b>			

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# NHS FIFE AUDIT & RISK COMMITTEE SCHEDULE OF BUSINESS CONSIDERED 2018/19

# **May 2018**

#### Internal Audit:

- a) Internal Audit Progress Report
- b) Internal Audit Summary of Internal Audit Reports
- c) Internal Audit Plan

#### External Audit - Audit Scotland:

a) Management Report

# External Audit – Thomson Cooper:

- a) Audit Planning Memorandum Endowment Funds
- b) Additional Proposal re Paul Gray Letter
- c) Audit Planning Memorandum Patients' Private Funds

Service Auditors Report

**Board Assurance Framework** 

Governance Statement 2017/18

Significant Issues that are considered to be of wider interest

**Post Transaction Monitoring** 

Audit Scotland Performance Report – annual update

Payments to Primary Care Practitioners

Annual Statement of Assurance

Committee Self-Assessment Checklist

Follow Up Monitoring Report

Items for Noting:

- a) Third Party Service Audit National IT Services 2016/17
- b) Third Party Service Audit Practitioner Services 2016/17
- c) Technical Bulletin 2017/4

#### **June 2018**

#### Matters Arising:

- a) Action Log
- b) Annual Workplan 2018/19
- c) Committee Self-Assessment Checklist 2017/18
- d) Annual Internal Audit Plan 2018/19

Patients Private Funds – Consolidated Abstract of Receipts and Payments for Year Ended 31 March 2018

Endowment Fund – Annual Accounts for Year Ended 31 March 2018

NHS Fife Risk Management Annual Report

**Annual Accounts Process:** 

- a) Annual Assurance Statements for 2017/18
  - (i) Clinical Governance Committee
  - (ii) Staff Governance Committee
  - (iii) Finance, Performance & Resources Committee
- b) Service Auditors Reports
- c) Audit & Risk Committee Annual Statement of Assurance
- d) Internal Audit Annual Report

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- e) Notification from Sponsored Body Audit Committees
- Draft Annual Accounts for the Year Ended 31 March 2018:
  - (a) Draft Report on Annual Accounts
  - (b) Annual Audit Report for the Board of NHS Fife and Auditor General for Scotland
  - (c) Annual Audit Report Cover Letter and draft Letter of Representation (ISA560)
  - (d) Annual Assurance Statement to the NHS Board
  - (e) Losses Schedules 2017/18

# September 2018

#### Matters Arising:

- a) Annual Workplan 2018/19
- b) IJB Memorandum of Understanding
- c) Committee Self-Assessment Checklist

#### Internal Audit:

- a) Internal Audit Progress Report
- b) Internal Audit Summary of Internal Audit Reports
- c) Internal Audit Post Transaction Monitoring
- d) Internal Audit Framework

**Board Governance Action Plan** 

# Risk Management:

- a) Board Assurance Framework
- b) Risk Management Workplan 2018/19

**Grant Thornton Review** 

# Audit Recommendations:

- a) Follow up Protocol
- b) Internal Audit Monitoring Report
- c) Annual Accounts Progress Update on Audit Recommendations

Corporate Meeting Calendar / Dates 2019/20

#### December 2018

#### Matters Arising:

a) Public Sector Internal Audit Standards - Evaluation

#### Internal Audit:

- a) Internal Audit Progress Report & Summary Report
- b) Audit Committee Handbook
- c) Internal Control Evaluation Report

#### **External Audit:**

- a) Audit Scotland Annual Audit Plan
- b) Audit Scotland Report: NHS in Scotland 2018
- c) Audit Scotland Report: Health and Social Care Integration

# Risk Management:

a) Board Assurance Framework

Committee Self Assessment Checklist

#### Audit Recommendations:

- a) Internal Audit Monitoring Report
- b) Annual Accounts Progress Update on Audit Recommendations

- c) Revised Annual Workplan 2018/19 Items for Noting:
  - a) Technical Bulletin 2018/3

# **March 2019**

# Internal Audit:

- a) Internal Audit Progress Report & Summary Report
- b) Internal Audit Plan 2019/20
- c) Internal Audit Follow Up Report on Audit Recommendations
- d) Internal Audit Information Sharing Protocol

# Risk Management:

- a) Risk Management Report
- b) Board Assurance Framework

Annual Accounts Progress Update on Audit Recommendations Annual Workplan 2019/2020

Annual Review of Code of Corporate Governance

Review of Terms of Reference

Committee Self Assessment Checklist

Update from Brexit Assurance Group

# **BEST VALUE FRAMEWORK**

#### Vision and Leadership

A Best Value organisation will have in place a clear vision and strategic direction for what it will do to contribute to the delivery of improved outcomes for Scotland's people, making Scotland a better place to live and a more prosperous and successful country. The strategy will display a clear sense of purpose and place and be effectively communicated to all staff and stakeholders. The strategy will show a clear direction of travel and will be led by Senior Staff in an open and inclusive leadership approach, underpinned by clear plans and strategies (aligned to resources) which reflect a commitment to continuous improvement.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
The Board has identified the risks to the achievement of its strategic and operational plans	Each strategic risk has an Assurance Framework which maps the mitigating actions/risks to help achieve the	COMMITTEES	Bi-monthly	Board Assurance Framework (to FP&R/CG/SG Committees)
are identified together with mitigating controls.	strategic and operational plans. Assurance Framework contains the overarching	AUDIT & RISK COMMITTEE	5 times per year	Board Assurance Framework (to A&R Committee)
	strategic risks related to the strategic plan.	BOARD	2 times per year	Board

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#### **GOVERNANCE AND ACCOUNTABILITY**

The "Governance and Accountability" theme focuses on how a Best Value organisation achieves effective governance arrangements, which help support Executive and Non-Executive leadership decision-making, provide suitable assurances to stakeholders on how all available resources are being used in delivering outcomes and give accessible explanation of the activities of the organisation and the outcomes delivered.

#### **OVERVIEW**

A Best Value organisation will be able to demonstrate structures, policies and leadership behaviours which support the application of good standards of governance and accountability in how the organisation is improving efficiency, focusing on priorities and achieving value for money in delivering its outcomes. These good standards will be reflected in clear roles, responsibilities and relationships within the organisation. Good governance arrangements will provide the supporting framework for the overall delivery of Best Value and will ensure open-ness and transparency. Public reporting should show the impact of the organisations activities, with clear links between the activities and what outcomes are being delivered to customers and stakeholders. Good governance provides an assurance that the organisation has a suitable focus on continuous improvement and quality. Outwith the organisation, good governance will show itself through an organisational commitment to public performance reporting about the quality of activities being delivered and commitments for future delivery.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Board and Committee	Board meetings are held in open session and	BOARD	On going	Internet
decision-making processes are open and transparent.	minutes are publically available.  Committee papers and minutes are publically available	COMMITTEES		Intranet
Board and Committee decision-making processes are based on evidence that can show clear links between activities and outcomes	Reports for decision to be considered by Board and Committees should clearly describe the evidence underpinning the proposed decision.	BOARD	Ongoing	SBAR reports EQIA forms

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife has a robust framework of corporate governance to	Explicitly detailed in the Governance Statement.	AUDIT & RISK COMMITTEE	Every three years	Code of Corporate Governance
provide assurance to relevant stakeholders that there are effective internal control systems in operation which comply with the SPFM and other relevant guidance.			Annual	Annual Assurance statements

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#### **USE OF RESOURCES**

The "Use of Resources" theme focuses on how a Best Value organisation ensures that it makes effective, risk-aware and evidence-based decisions on the use of all of its resources.

#### **OVERVIEW**

A Best Value organisation will show that it is conscious of being publicly funded in everything it does. The organisation will be able to show how its effective management of all resources (including staff, assets, information and communications technology (ICT), procurement and knowledge) is contributing to delivery of specific outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife maintains an effective system for financial stewardship and reporting in line with the SPFM.	Statutory Annual Accounts process.	AUDIT & RISK COMMITTEE	Annual	Statutory Annual Accounts. Assurance Statements
NHS Fife understands and exploits the value of the data and information it holds.	Annual Operational Plan Integrated Performance Report	BOARD	Annual Bi-monthly	Annual Operational Plan Integrated Performance Report

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#### PERFORMANCE MANAGEMENT

The "Performance Management" theme focuses on how a Best Value organisation embeds a culture and supporting processes which ensures that it has a clear and accurate understanding of how all parts of the organisation are performing and that, based on this knowledge, it takes action that leads to demonstrable continuous improvement in performance and outcomes.

#### **OVERVIEW**

A Best Value organisation will ensure that robust arrangements are in place to monitor the achievement of outcomes (possibly delivered across multiple partnerships) as well as reporting on specific activities and projects. It will use intelligence to make open and transparent decisions within a culture which is action and improvement oriented and manages risk. The organisation will provide a clear line of sight from individual actions through to the National Outcomes and the National Performance Framework. The measures used to manage and report on performance will also enable the organisation to provide assurances on quality and link this to continuous improvement and the delivery of efficient and effective outcomes.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Performance is systematically measured across all key areas of activity and associated reporting provides an understanding of whether the organisation is on track to achieve its	Integrated Performance Report encompassing all aspects of operational performance, LDP targets / measures, and financial, clinical and staff governance metrics.	COMMITTEES BOARD	Every meeting	Integrated Performance Report  Code of Corporate Governance  Minutes of Committees
short and long-term strategic, operational and quality objectives	The Board delegates to Committees the scrutiny of performance  Board receives full Integrated Performance Report and notification of any issues for escalation from Committees.			
The Board and its Committees approve the format and content of the performance reports they receive	The Board / Committees review the Integrated Performance Report and agree the measures.	BOARD	Annual	Integrated Performance Report

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REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
Reports are honest and balanced and subject to proportionate and appropriate scrutiny and challenge from the Board and its Committees.	Committee Minutes show scrutiny and challenge when performance is poor as well as good; with escalation of issues to the Board as required	COMMITTEES BOARD	Every meeting	Integrated Performance Report Minutes of Committees
The Board has received assurance on the accuracy of data used for	Performance reporting information uses validated data.	COMMITTEES	Every meeting	Integrated Performance Report
performance monitoring.			Annual	Annual Accounts including External Audit report
NHS Fife's performance management system is effective in addressing areas of underperformance, identifying the scope for improvement, agreeing remedial action, sharing good practice and monitoring implementation.	Encompassed within the Integrated Performance Report	BOARD	Every meeting	Integrated Performance Report  Minutes of Committees
NHS Fife overtly links Performance Management with Risk Management to support prioritisation and decision-making at Executive level, support continuous improvement and provide assurance on internal control and risk.	Board Assurance Framework	AUDIT & RISK COMMITTEE BOARD	Ongoing	Board Assurance Framework Minutes of Committees

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#### **CROSS-CUTTING THEME - SUSTAINABILITY**

The "Sustainability" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded a sustainable development focus in its work.

#### **OVERVIEW**

The goal of Sustainable Development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations. Sustainability is integral to an overall Best Value approach and an obligation to act in a way which it considers is most sustainable is one of the three public bodies' duties set out in section 44 of the Climate Change (Scotland) Act 2009. The duty to act sustainably placed upon Public Bodies by the Climate Change Act will require Public Bodies to routinely balance their decisions and consider the wide range of impacts of their actions, beyond reduction of greenhouse gas emissions and over both the short and the long term.

The concept of sustainability is one which is still evolving. However, five broad principles of sustainability have been identified as:

- promoting good governance;
- living within environmental limits;
- achieving a sustainable economy;
- · ensuring a stronger healthier society; and
- · using sound science responsibly.

Individual Public Bodies may wish to consider comparisons within the wider public sector, rather than within their usual public sector "family". This will assist them in getting an accurate gauge of their true scale and level of influence, as well as a more accurate assessment of the potential impact of any decisions they choose to make.

A Best Value organisation will demonstrate an effective use of resources in the short-term and an informed prioritisation of the use of resources in the longer-term in order to bring about sustainable development. Public bodies should also prepare for future changes as a result of emissions that have already taken place. Public Bodies will need to ensure that they are resilient enough to continue to deliver the public services on which we all rely.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE
NHS Fife can demonstrate that it is making a	Sustainability and Environmental report incorporated	AUDIT & RISK COMMITTEE	Annual	Annual Accounts
contribution to sustainable development by actively considering the social, economic and environmental impacts of activities and decisions both in the shorter and longer term.	in the Annual Accounts process.	BOARD		Climate Change Template

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#### **CROSS-CUTTING THEME - EQUALITY**

The "Equality" theme is one of the two cross-cutting themes and focuses on how a Best Value organisation has embedded an equalities focus which will secure continuous improvement in delivering equality.

#### **OVERVIEW**

Equality is integral to all our work as demonstrated by its positioning as a cross-cutting theme. Public Bodies have a range of legal duties and responsibilities with regard to equality. A Best Value organisation will demonstrate that consideration of equality issues is embedded in its vision and strategic direction and throughout all of its work.

The equality impact of policies and practices delivered through partnerships should always be considered. A focus on setting equality outcomes at the individual Public Body level will also encourage equality to be considered at the partnership level.

REQUIREMENT	MEASURE / EXPECTED OUTCOME	RESPONSIBILITY	TIMESCALE	OUTCOME / EVIDENCE:
NHS Fife meets the requirements of equality legislation.		BOARD	Ongoing	EQIA form on all reports
The Board and senior managers understand the diversity of their customers and stakeholders.	Equality Impact Assessments are reported to the Board and Committees as required and identify the diverse range of stakeholders.	BOARD	Ongoing	EQIA form on all reports
NHS Fife's policies, functions and service planning overtly consider the different current and future needs and access requirements of groups within the community.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments consider the current and future needs and access requirements of the groups within the community.	BOARD	Ongoing	Clinical Strategy EQIA forms on reports
Wherever relevant, NHS Fife collects information and data on the impact of policies, services and functions on different equality groups to help inform future decisions.	In accordance with the Equality and Impact Assessment Policy, Impact Assessments will collect this information to inform future decisions.	BOARD COMMITTEES	Ongoing	EQIA forms on reports

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# Audit & Risk Committee Meeting



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Internal Audit Annual Report
EXECUTIVE LEAD:	Tony Gaskin
REPORTING OFFICER:	Tony Gaskin/Barry Hudson

Purpose of the Report (delete as appropriate)	
	For Assurance

# **SBAR REPORT**

# **Situation and Background**

The purpose of this report is to present the Annual Internal Audit Report for the year 2018/19 to the NHS Fife Audit and Risk Committee.

#### <u>Assessment</u>

# Opinion

Based on work undertaken throughout the year I have concluded that:

- The Board has adequate and effective internal controls in place;
- The 2018/19 internal audit plan has been delivered in line with Public Sector Internal Audit Standards.

In addition, I have not advised management of any concerns around the following:

- Consistency of the Governance Statement (GS) with information that we are aware of from our work;
- The processes adopted in reviewing the adequacy and effectiveness of the system of internal control and how these are reflected;
- The format and content of the GS in relation to the relevant guidance;
- The disclosure of all relevant issues. The Board has disclosures on the Treatment Time Guarantee, one unannounced HIS inspection and two personal data related incidents.

#### Recommendation

 The Audit and Risk Committee is asked to consider this report as part of the portfolio of evidence provided in support of its evaluation of the internal control environment and the Governance Statement.

Objectives: (must be completed	
Healthcare Standard(s):	The breadth of internal audit work cuts across all
	Healthcare Standards.
HB Strategic Objectives:	The breadth of internal audit work cuts across all of the
	strategic objectives within the Board's Strategic
	Framework.

Further Information:	
Evidence Base:	N/A
Glossary of Terms:	SGHSCD – Scottish Government Health and Social Care Directorates
Parties / Committees consulted prior to Health Board Meeting:	Director of Finance

Impact: (must be completed)	
Financial / Value For Money	Financial Governance is a key pillar of the annual internal audit plan and value for money is a core consideration in planning all internal audit reviews.
Risk / Legal:	The internal audit planning process which produces the annual internal audit plan takes into account inherent and control risk for all aspects of the Audit Universe. Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legal requirements are a core consideration in planning all internal audit reviews.
Quality / Patient Care:	The Triple Aim is a core consideration in planning all internal audit reviews.
Workforce:	Management responsibilities, skill sets and structures are a core consideration in planning all internal audit reviews.
Equality:	All internal audit reviews which involve review of policies and procedures examine the way in which equality and diversity is incorporated in Board documentation. In addition, equality and diversity is included as a specific topic within our Audit Universe.



# Annual Internal Audit Report Report No. B06/20

**Issued To:** P Hawkins, Chief Executive

C Potter, Director of Finance and Performance

C McKenna, Medical Director B Nelson, Director of Workforce

G MacIntosh, Head of Corporate Governance & Board Secretary

Helen Buchanan, Director of Nursing

Follow-Up Co-ordinator

Audit & Risk Committee

**External Audit** 

Internal Audit Consortium for NHS Fife, NHS Tayside and NHS Forth Valley

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Draft Report Issued	06 June 2019
Management Responses Received	11 June 2019
Target Audit Committee Date	20 June 2019
Final Report Issued	11 June 2019

# INTRODUCTION AND CONCLUSION

- 1. This annual report to the Audit & Risk Committee provides details on the outcomes of the 2018/19 internal audit and my opinion on the Board's internal control framework for the financial year 2018/19.
- 2. Based on work undertaken throughout the year we have concluded that:
  - The Board has adequate and effective internal controls in place;
  - The 2018/19 internal audit plan has been delivered in line with Public Sector Internal Audit Standards.
- 3. In addition, we have not advised management of any concerns around the following:
  - Consistency of the Governance Statement with information that we are aware of from our work;
  - The description of the processes adopted in reviewing the effectiveness of the system of internal control and how these are reflected;
  - The format and content of the Governance Statement in relation to the relevant guidance;
  - The disclosure of all relevant issues.

# **ACTION**

4. The Audit & Risk Committee is asked to **note** this report in evaluating the internal control environment and **report** accordingly to the Board.

# **AUDIT SCOPE & OBJECTIVES**

- 5. The Strategic and Annual Internal Audit Plan for 2018/19 incorporated the requirements of the NHSScotland Governance Statement and were based on joint risk assessment by Internal Audit and the Director of Finance and Performance. The resultant audits range from transaction processing systems and organisational controls through to the control environment and corporate review and reporting mechanisms.
- 6. The authority, role and objectives for Internal Audit are set out in Section 3 of the Board's Standing Financial Instructions and are consistent with Public Sector Internal Audit Standards.
- 7. Internal Audit is also required to provide the Audit & Risk Committee with an annual assurance statement on the adequacy and effectiveness of internal controls. The Audit & Assurance Risk Committee Handbook states:

The committee should support the Accountable Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The scope of the committee's work should be defined in its terms of reference and should encompass all the assurance needs of the Accountable Officer and Board. Within this, the committee should have particular engagement with the work of Internal Audit, risk management, the External Auditor, and financial management and reporting issues.

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# INTERNAL CONTROL

- 8. A description of all audit recommendation priorities is given in the final section of this report. Our audit programmes have been amended to include the updated requirements of the Scottish Public Finance Manual (SPFM) Internal Control.
- 9. Key actions and issues for each of the five control environments are summarised in Section 2 together with narrative highlighting areas of best practice and any areas where improvement is required to meet the necessary control standards.
- 10. For 2018/19 there have been no substantial changes made to the Governance Statement format or guidance which is included within the NHSScotland Annual Accounts Manual. This means that the guidance has not been revised to take account of substantial governance developments and therefore compliance with the Governance Statement Guidance would not be sufficient in and of itself to provide comprehensive assurance on good governance. However, the NHS Fife Governance Statement does include reference to the key areas omitted from the SGHSCD guidance:
  - The March 2018 SPFM Audit and Assurance Committee Handbook and associated Treasury guidance on assurance mapping;
  - The Blueprint for Good Governance;
  - Health and Social Care Integration (including for this year the Ministerial Strategic Group review of progress with Integration of Health and Social Care).
- 11. The Board has produced a Governance Statement with the following disclosures for 2018/19:
  - For 2018/19, 4471 individuals have exceeded the Treatment Time Guarantee to have their treatment provided within 12 weeks.
  - Issues highlighted within an unannounced Older People in Acute Hospital (OPAH) inspection conducted at Victoria Hospital in September 2018.
  - Two personal data related incidents or data protection breaches reported to the Information Commissioner during the financial year ended 31 March 2019.
- 12. Our audit has provided evidence of compliance with the requirements of the Accountable Officer Memorandum and this combined with a sound corporate governance framework in place in the Board throughout 2018/19, provides assurance for the Chief Executive as Accountable Officer.
- 13. Therefore, it is my opinion that:
  - The Board has adequate and effective internal controls in place;
  - The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role.

# **AUDIT PRODUCTS AND OPINIONS**

14. During 2018/19 we delivered 25 audit products, which reviewed the systems of financial and management control operating within the Board. Work is ongoing to finalise the remaining 3 reports which are at draft stage and 7 at work in progress contained within the 2018/19 audit plan. Our reviews assisted the Board by:

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- Examining a wide range of controls in place at departmental/ward level;
- Further review of the actions taken by the Board in relation to Medical Equipment and Devices following two previous reviews, one being an external Medical Device Management Review which concluded all had been completed;
- Evaluated and reported on the controls established to manage the risks relating to Carbon Reduction Commitment:
- Evaluated and reported on the local procedures for dealing with adverse events in accordance with the revised HIS national guidance.

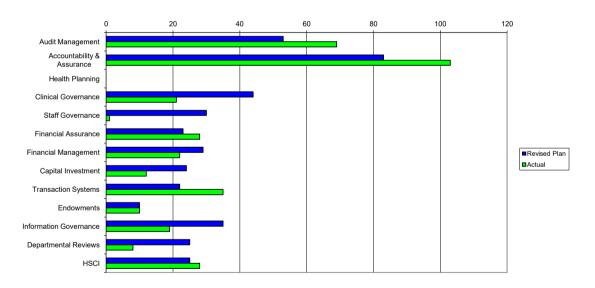
# **ADDED VALUE**

- 15. The Internal Audit Service has been responsive to the needs of the Board and has added value by:
  - Providing opinion on and evidence in support of the Governance Statement at yearend and conducting an extensive Internal Control Evaluation which permitted remedial action to be taken in-year. This review made recommendations focussed on enhancements to ensure NHS Fife has in place appropriate and proportionate governance, which supports and monitors the delivery of objectives and is commensurate with the challenging environment within which it is operating;
  - Continuing to develop departmental reviews in a range of areas to provide assurance that systems of internal control are embedded in the operations of the Board and form part of its culture and providing ad hoc advice including:
    - Review of the Podiatry service;
    - Review of Muirview Ward, Stratheden Hospital;
  - Continued participation in the development of information governance arrangements through attendance at Information Governance and Security Group and eHealth Board meetings and provision of support and advice on governance and assurance reporting;
  - Adhoc advice and consultation provided during 2018/19 included:
    - Guidance on the redrafting of the NHS Fife Fire Safety Policy
    - Guidance on the Constitution and Terms of Reference for the NHS Fife Estates Fire Safety Team
- 16. Internal Audit has continued to highlight governance and assurance aspects of Integration and the need for clear lines of accountability and ownership of risk.
- 17. Our 2018/19 audits of the various financial and business systems provided opinions on the adequacy of controls in these areas. These showed that the Board continues to improve its control environment with positive assurance (grade C or better) being provided on all reviews with an audit opinion. Summarised findings or the full report for each review were presented to the Audit & Risk Committee during the year.

- 18. Board staff have maintained a system for the follow-up of internal audit recommendations and reporting of results to the Audit & Risk Committee. Audit work during the year reported that the process for following up on agreed recommendations in internal audit reports was not operating in accordance with the approved Follow-up Protocol. A revised approach, potentially involving the use of DATIX, is currently being discussed with Internal Audit.
- 19. Our follow up of the recommendations from our Internal Control Evaluation issued in December 2018 confirmed that of the ten actions that should have been implemented, six have been completed in full, two had been partially completed and two remained outstanding:
  - The recommendation relating to integration was not taken forward as agreed but has now been superseded by the MSG self-assessment, although HSCI governance remains a significant issue for the Board;
  - The recommendation related to providing the Clinical Governance Committee with assurance reports from the Information Governance and Security Group has been partially addressed but there are still improvements to be made;
  - The recommendation relating to the Clinical Strategy governance and reporting arrangements was not delivered;
  - Our recommendation regarding improving the quality of assurances to and from the Information Governance and Security Group were not implemented.

# **INTERNAL AUDIT COVER**

#### 20. Figure 1: Internal Audit Cover 2018/19



21. Figure 1 summarises the 2018/19 outturn position against the planned internal audit cover. The Annual Internal Audit Plan was approved by the Audit & Risk Committee at its meeting on 21 June 2018. To date, we have delivered 357 days against the planned 401 days. Work is ongoing to ensure that the remaining products from 2018/19 are substantially completed for the 12 September 2019 Audit & Risk Committee, although all audit products required by Audit Scotland and for year-end assurance have been delivered. We also experienced higher than expected levels of staff absence, which also led to delays in completion of the plan in year.

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- 22. Following a recommendation from the External Quality Assessment (EQA), it has been agreed by the Chief Executive, Director of Finance and Performance, and Audit & Risk Committee, that outstanding 2018/19 audits not yet commenced will be risk assessed for possible inclusion in 2019/20, with additional time included within the 2019/20 plan.
- 23. A summary of 2018/19 performance is shown in Section 3.
- 24. Fieldwork on the remaining eight outstanding 2018/19 audits is well advanced and will be reported to the September 2019 Audit & Risk Committee without impacting on the delivery of the 2019/20 plan or on our ability to conclude on the adequacy and effectiveness of Internal Controls. A summary of 2018/19 performance is shown in Section 3.

# PERFORMANCE AGAINST THE SERVICE SPECIFICATION AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

25. The FTF Partnership Board has produced as annual summary of activity for the year:

#### FTF Partnership Board Annual Summary 2018/19

#### 1. Introduction

This report sets out a summary of Partnership Board meetings held in 2018/19.

#### 2. FTF Partnership Board Meetings

Meetings were held on the following dates:

- 18 September 2018
- 12 December 2018
- 12 April 2019

#### 3. Attendance

The following individuals attended meetings in person or via teleconference: Members:

- Scott Urguhart, Director of Finance, NHS Forth Valley (Chair)
- Carol Potter, Director of Finance, NHS Fife
- Frances Gibson, Head of Finance-Governance & Assurance, NHS Tayside

#### In Attendance:

Tony Gaskin Chief Internal Auditor FTF
 Jocelyn Lyall Regional Audit Manager FTF
 Barry Hudson Regional Audit Manager FTF
 Angela McEwan NHS Forth Valley (minute)

#### 4. Business

The committee considered both routine and specific work areas during the year:

Key items discussed and outputs included the following:

- Review and update of Remit, Terms of Reference and Meeting Schedules
- Review of External Quality Assessment (EQA) of FTF Internal Audit Service
- Health & Social Care Integration issues
- Internal Audit Shared Service Agreement 2018-2023 update and review
- Internal Audit Service Specification update and review
- Governance Issues including Blueprint and Audit Committee Handbook
- Review of budget performance 2018/19
- Approval of budget proposals 2019/20
- Review of Performance including KPIs and Balanced Scorecard

#### 5. Conclusion

As Chair of the Partnership Board I can confirm that the breadth of the business undertaken, and the range of attendees at meetings of the Partnership Board has allowed us to fulfil our remit.

#### **Scott Urquhart**

**Chairperson, FTF Partnership Board** 

26. We have designed protocols for the proper conduct of the audit work at the Board to ensure compliance with the specification and the Public Sector Internal Audit Standards (PSIAS).

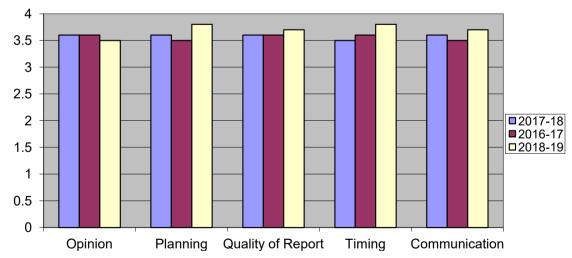
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- 27. Internal Audit is compliant with PSIAS, and has organisational independence as defined by PSIAS, except that, in common with many NHSScotland bodies, the Chief Internal Auditor reports through the Director of Finance and Performance rather than the Accountable Officer. There are no impairments to independence or objectivity.
- 28. Internal and External Audit liaise closely to ensure that the audit work undertaken in the Board fulfils both regulatory and legislative requirements. Both sets of auditors are committed to avoiding duplication and securing the maximum value from the Board's investment in audit.
- 29. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. External Audit seek to rely on the work of Internal Audit wherever possible and, as part of the external audit planning process an early assessment is carried out of the internal audit function. The adequacy of Internal Audit performance was reviewed by the External Auditors of NHS Fife, on behalf of the External Auditors of all FTF clients. The review concluded that 'FTF generally complies with the Public Sector Internal Audit Standards (PSIAS) and has appropriate documentation standards and reporting procedures in place'.
- 30. FTF has undergone a PSIAS External Quality Evaluation during 2018/19, conducted by the Internal Auditors of Midlothian Council. The results of that exercise, together with associated actions were reported to the Audit & Risk Committee on 16 May 2019. Implementation of these actions will be regularly reported to the Audit & Risk Committee throughout the year.
- 31. A key measure of the quality and effectiveness of the audits is the Board responses to our client satisfaction surveys, which are sent to line managers following the issue of each audit report. Fig 2 shows that, overall, our audits have been perceived as good or very good by the report recipients.

#### 32. Figure 2: Summary of Client Satisfaction Surveys

Scoring: 1 = poor, 2 = fair, 3= good, 4 = very good.



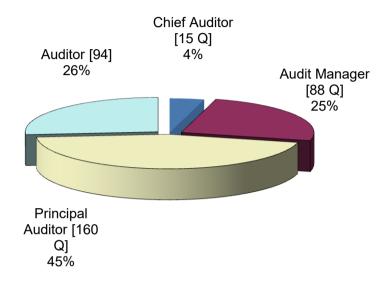
33. Other detailed performance statistics are shown in Section 3.

# STAFFING AND SKILL MIX

34. Figure 3 below provides an analysis, by staff grade and qualification, of our productive time. In 2018/19 the audit was delivered with a skill mix of 82%, which exceeds the service specification requirement of 50%.

Figure 3: Audit Staff Skill Mix 2018/19

Audit Staff Inputs in 2018/19 [days] Q= qualified input.



# **ACKNOWLEDGEMENT**

- 35. On behalf of the Internal Audit Service I would like to take this opportunity to thank all members of staff within the Board for the help and co-operation extended to Internal Audit throughout this year for the organisation.
- 36. My team and I have greatly appreciated the positive support of the Chief Executive, Director of Finance and Performance, Head of Corporate Governance & Board Secretary and the Audit & Risk Committee.

A Gaskin, BSc. ACA Chief Internal Auditor

# **Corporate Governance**

#### Key arrangements in place:

- The Annual Review, held on 3 December 2018 (and followed by a separate public-facing session on 15 February 2019), highlighted excellent work undertaken locally in 2017/18 for the benefit of local patients in health care improvement activity, management of unscheduled care activity and the maintenance of financial control. The review identified eight action points which will be addressed in a written response to the Scottish Government by 30 June 2019.
- An updated Code of Corporate Governance was approved by the Audit & Risk Committee in May 2019 and subsequently approved by the NHS Fife Board on 29 May 2019. The covering paper noted that further changes to the Code will be required in the near future to reflect the work currently underway aligned to the implementation of the NHS Scotland Blueprint for Good Governance and also that standard Terms of Reference for 'mandatory' Board committees (i.e. Audit, Clinical Governance and Staff Governance) are presently being prepared, again to be adopted locally when finalised by the national group.
- Board Development sessions were held in December 2018 and February 2019, the latter session included Medical Education, Research and Development, Health Inequalities in Fife and the role of NHS Fife and Partners and Financial Planning 2019-20.
- A Board Development session was also held in April 2019 to discuss the results of members' self-assessment questionnaire against the NHS Scotland Blueprint for Good Governance. The self-assessment and an associated action plan were presented to the May 2019 Board meeting, with all actions scheduled for completion by October 2019. Members highlighted the challenges of effective governance of integrated health and social care, and noted that further work was required to improve lines of accountability, scrutiny and assurance in full support of partnership working. Management have advised that an update on the action plan will be presented to the Board in the Autumn.
- A new Head of Corporate Governance and Board Secretary was appointed in August 2018. Part of her role is to support the ongoing review of governance and further develop corporate governance arrangements.
- The Governance Statement was presented to the May 2019 Audit & Risk Committee meeting and is broadly in line with extant guidance.
- The 13 December 2018 Audit & Risk Committee was provided with an update on the revised NHS Audit and Assurance Committee Handbook and its implications. Significant changes were highlighted, including increased responsibility for concluding on the effectiveness of risk management arrangements, and the requirement for assurance mapping. Assurance mapping arrangements have not yet been fully developed and Internal Audit have set aside time to assist in this process in 2019/20.
- The Audit & Risk Committee self assessment was undertaken by a revised online format and the results were presented to the March 2019 meeting. The SBAR concluded 'In general, the Committee's current mode of operation received a positive assessment from its members and attendees, with no areas of major concern.'
- The Fife Integration Joint Board, Internal Audit Output Sharing Protocol was presented to the March 2019 Audit & Risk Committee.

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- NHS Fife has a revised Internal Audit Charter compliant with the Public Sector Internal Audit Standards.
- NHS Fife has an established process for the distribution and confirmation of compliance with SGHSCD guidance and circulars and has documented processes to ensure all policies and procedures are kept up to date as confirmed by B11/18 – Policies and Procedures.
- Other relevant reports included:
  - ➤ Internal Audit B10-19 Policies and Procedures Safety Alerts, concluded that the migration of the manual system to the Datix Safety Alert system should be beneficial and enhance the effectiveness and efficiency of the process as well as identifying areas for improvement.
  - ➤ Internal Audit B12-19 Carbon Reduction Commitment (CRC) evaluated and reported on the controls established to manage the risks relating to CRC Energy Efficiency Scheme.
- A Best Value Framework is in place with each Standing Committee providing appropriate assurance as a component part of their Annual Assurance Statements.
- All Board Assurance Framework risks are considered by the Board and Standing Committees in line with a risk reporting timetable.
- The Strategic Objectives 2018-19 for NHS Fife were approved at the NHS Fife Board meeting on 25 May 2018 with each individual objective allocated to an Executive Director. These were reviewed and updated for 2019/20 at the May 2019 meetings of all governance committees and the NHS Board.
- Guidance for the Annual Operational Plan (AOP) was received on 27 February 2019 and it was agreed with SGHSCD that NHS Fife could consider the document through its governance committees during May and submit to the Board for approval on the 29 May 2019. The AOP 2019-20 was discussed at the May 2019 Finance, Performance & Resources Committee (FP&RC) and approved by the NHS Fife Board at its meeting on 29 May 2019.
- The Integrated Performance Report, presented to each meeting of Fife NHS Board, provides a clear summary of performance which enables the Board to make decisions and to conclude on progress, and explains variance and remedial action to address performance issues. In line with most Health Boards, the majority of targets are not being achieved although it is recognised that Fife often performs better than other Boards in Scotland. The IPR presented to the May 2019 meeting of the FP&RC included positive improved performance on Diagnostic Waiting Times and Outpatient Waiting Times. Whilst A&E performance was good, NHS Fife did not meet all of its targets and the Scottish Government 2018/19 Annual Review Letter highlighted a number of these areas.

# Planned and ongoing developments, including responses to previous significant internal audit reports:

A General Policies Update as of 31 March 2019 was provided to the May FP&RC: 11 (18.6%) policies remained overdue for review, a slight improvement from November 2018, where 18 (30.5%) were overdue. Actions to further improve performance, including a review of the current process for revising and approving general policies, were agreed.

- The Joint Strategic Transformation Group (JSTG) is responsible for monitoring implementation of the transformation programme and ensuring progress is reported to the Clinical Governance Committee (CGC). Concerns have been raised around the monitoring and delivery of transformation by both Internal Audit and by the External Auditors who issued a follow up of Internal Audit findings on transformation to the May Audit & Risk Committee. Internal Audit will further review this area in 2019/20.
- The six Board Assurance Framework (BAF) risks are monitored through their respective committees; an eHealth BAF is under development. The six BAFs were presented to the September 2018 and May 2019 Audit & Risk Committee. We would highlight that BAFs have remained largely static over the last two years.
- Internal Audit first recommended substantive developments to the Risk Management Framework, including consideration of Risk Appetite in 2015. These have been under development ever since and whilst they have been scheduled for completion on numerous occasions, they are still not complete or indeed imminent. Reporting to the Audit & Risk Committee should be improved to allow monitoring of staged milestones and key stages.
- NHS Fife has enhanced Board members' induction and provided specific training for Audit & Risk Committee members.
- NHS bodies are required to follow the Scottish Public Finance Manual (SPFM) including
  the Audit and Assurance Committee Handbook which was revised in March 2018, albeit
  NHS Boards were not formally notified. A paper to the 13 December 2018 Audit & Risk
  Committee highlights the key changes, their implications and the way forward.
- The Audit Follow Up process is in a transitional phase with the previous Follow Up Coordinator moving on to a new role. The Director of Finance and Performance is reviewing the arrangements, with a view to streamlining the process. Whilst the role is being undertaken on a temporary basis, the lead has not been identified for this role.
- The findings from our annual and interim reviews are not routinely being reported to the relevant Standing Committees.
- Annual Internal Audit Report B06/19 noted that Committees were not approving workplans until after the date specified in their Terms of Reference (ToR). This has now been addressed. All Standing Committee workplans for 2019/20 were presented to their March 2019 meetings.
- The self evaluation assessment for the Ministerial Strategic Group for Health & Community Care Integration Review Leadership Group has been completed. The evaluation largely identified arrangements as 'partly established' and identified issues around governance and accountability consistent with concerns raised by Board members and in numerous Internal Audit reports. Improvement actions have been identified and management have advised that report, which will include consideration of how actions will be monitored, will be prepared following a HSCI event for Board Members on 20 June 2019.
- Whilst there is a Board Assurance Framework (BAF) relating to integration, it is not
  possible to conclude that associated mitigating actions are operating effectively or that
  there is currently any realistic prospect of achieving the target risk score without further
  action. We would also highlight the Integration Principles adopted by the IJB but not yet
  considered by the Board.
- The annual assurance statement for Fife Integration Joint Board is due to be presented

to the Fife IJB Audit & Risk Committee on 5 July 2019, therefore the timing of this will not inform and provide assurance for the NHS Fife Board over the year 2018/19. It may not be feasible to redress this timing issue.

# Finding:

The annual statements of assurance from the Standing Committees provide an opportunity for reflection on the work of the Committee in the year, key issues for the coming year and the BAF risks delegated to the Committee as well as the quality and timing of assurances received. Our work indicates that this opportunity is not always being taken and that the quality of assurances provided by Standing Committees could be improved.

Standing Committee Annual Reports do not routinely contain assurances over the BAFs assigned to that Committee.

#### **Audit Recommendation:**

The Board should consider the process by which the Annual Reports are approved and whether there would be merit in setting aside more time for considered reflection, rather than the Annual Report being potentially considered as just another item on a crowded agenda.

The template for Standing Committee Annual Assurance Statements could assist in this process by including:

- confirmation that they have considered all items on their workplan
- explanations for any exceptions and overt consideration of whether they impact on the Committee's ability to provide meaningful assurance
- Consideration of relevant internal and external audit reports (see recommendation
   3) and external reviews received and their impact on the assurance provided
- Commentary on any BAFs for which the Committee is responsible including:
  - assurance on the accuracy of the score,
  - the reasons for any movements in-year
  - the adequacy and effectiveness of the controls described in the BAF
  - the sufficiency of actions intended to bring the score to its target level
  - the relevance and reliability of assurances over those controls and actions

Some Committees may benefit from additional support/training in understanding the assurance requirements of the Board and we would note that the assurance mapping due for 2019/20 should assist in this process.

# **Priority: 2**

# **Management Response/Action**

At present, Board Committee annual statements of assurance are largely prepared by the lead Director for each Committee, leading to some variability in both format and content. For future years, it is proposed that the Board Secretary co-ordinates their production and work to enhance the current template will be part of that exercise. Consideration will be given to including the additional content above to improve the quality of the assurances given.

# Action by / Date:

Board Secretary / 31 May 2020

#### **Finding:**

Formal assurances were provided by the Executive Directors and Senior Managers of NHS Fife that adequate and effective internal controls have been in place in their areas of responsibility, we note that only seven out of twelve assurance statements included a statement on the risk management arrangements within their area.

#### **Audit Recommendation:**

As with Standing Committees there is an opportunity to enhance the template but also to consider the process through which these assurance statements are produced and quality assured. Consideration should be given to the SPFM assurance letter guidance which is the subject of ongoing discussions between Internal Audit and the SGHSCD.

# **Priority: 2**

# **Management Response/Action**

A review of the current process for capturing the assurances of senior staff, including the revision of the current template and consideration of which posts should be included in the exercise in future years, has already been agreed in discussions with the External Auditors. The input of Internal Audit would be welcome, to ensure that the new process is fully compliant with SPFM guidance and how this is expected to be implemented locally.

# Action by / Date:

**Director of Finance & Performance and Board Secretary** 

31 March 2020

# Finding:

The findings from our annual and interim reviews and other internal audit reports are not routinely reported to the relevant Standing Committee(s). We also noted that Audit Scotland's reports are not routinely presented to the relevant standing committee (eg the Audit Scotland Management Report 2017/18 included a finding relevant to Information Governance but was not presented to the Clinical Governance Committee). We also found areas where findings were reported but were not followed to their conclusion by the Committee.

As a consequence, significant governance findings for which the agreed action had not been implemented were not identified by Standing Committees in their annual assurance statements.

#### **Audit Recommendation:**

Internal Audit reports, including annual and interim reports should be presented to the relevant standing committee(s) and relevant sub-committees/groups as they are published. External Audit findings should be similarly communicated.

For significant findings, the Committee should establish a suitable monitoring process and ensure it is followed through to completion.

# **Priority: 2**

# **Management Response/Action**

In conjunction with Internal Audit we will seek to align individual audit reports to a specific Committee of the NHS Board. As and when reports are issued, the distribution of the report will include the lead Director for the relevant Committee, for inclusion at the next meeting. The covering email should include an explicit statement reminding the Director of this responsibility (1).

Any actions required and taken will be reported accordingly through the minute (2), with a parallel monitoring process (already in place) via the Audit & Risk Committee for both internal and external audit recommendations (3)

# Action by / Date:

Internal Audit(1)/Board Secretary(2)/Director of Finance(3)

30 September 2019

# Finding:

There have been significant and persistent delays in taking forward agreed improvements to the Risk Management Framework, going back many years.

#### **Audit Recommendation:**

An SBAR should be presented to the Audit & Risk Committee highlighting the challenges and reasons for the delay to the revision of the Risk Management Framework and how they will be addressed so that a realistic and achievable implementation schedule can be agreed and monitored and, most importantly, delivered.

# **Priority: 2**

# **Management Response/Action**

We accept the recommendation and a report will be provided as described above.

# **Action by / Date:**

**Director of Nursing** 

30 September 2019

#### **Clinical Governance**

#### Key arrangements in place:

- A Clinical and Care Governance Strategy was approved by Fife NHS Board on 25 April 2017 but as noted below, requires urgent review.
- The NHS Fife Clinical Governance Committee is a Standing Committee of Fife NHS Board and has an agreed Terms of Reference approved by the Board as a component part of the NHS Fife Code of Corporate Governance and has an agreed workplan scheduling its business for the year to meet the requirements of its remit.
- The NHS Fife Clinical Governance Committee provides an annual assurance statement to Fife NHS Board confirming that adequate and effective Clinical Governance arrangements were in place for the year. However, as noted below it was approved without consideration of all relevant factors.
- The Fife Health and Social Care Partnership Clinical and Care Governance Committee
  has an agreed Terms of Reference and has an agreed workplan scheduling its business
  for the year to meet the requirements of its remit. The committee reports to the Fife
  Integration Joint Board and its minutes and annual assurance statement are now
  presented to the NHS Fife Clinical Governance Committee.
- A Quality Report on the overall position and relevant data in relation to key themes is
  presented to each meeting of the NHS Fife Clinical Governance Committee and the Fife
  Health and Social Care Partnership Clinical and Care Governance Committee
- An Activity Tracker report detailing the results of any external reviews undertaken by regulatory bodies such as Healthcare Improvement Scotland and the progress made in addressing any issues identified is presented to each meeting of the NHS Fife Clinical Governance Committee and the Fife Health and Social Care Partnership Clinical and Care Governance Committee.
- The outcomes of the unannounced inspection undertaken by Healthcare Improvement Scotland at Victoria Hospital in September 2018 were included as a disclosure within the Governance Statement and agreed actions were followed up by the NHS Fife Clinical Governance Committee
- The annual review letter from the Scottish Government was issued to the Board on 31 January 2019 but contained no major issues in relation to Clinical and Care Governance. The Board will provide a formal response by 30 June 2019.

# Planned and ongoing developments, including responses to previous significant internal audit reports:

- Internal Audit Report B15/17 & B18/18 Clinical and Care Governance Strategy and Assurance concluded that 'the Clinical and Care Governance Strategy is not fully consistent, does not create a coherent and clear vision of responsibility for clinical governance and that there is no overall process for assuring progress that the strategy is being delivered as expected'. Our Interim Evaluation of the Internal Control Framework (B08/19) reported that at that point only 2 of the 13 findings in this report had been fully addressed. The status report on the implementation of actions to address the findings in this report presented to the NHS Fife Clinical Governance Committee on 4 July 2018 was incomplete and no further update has been provided.
- The BAF for Quality and Safety included the need to address the findings of Internal Audit Report B15/17 & B18/18 as a gap in assurance but this was removed from the BAF and no explanation was provided in the SBAR supporting the BAF to indicate why

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- this had been removed. We previously identified that the findings from this report had not been included in the NHS Fife Follow-up system and, this continues to be the case despite being highlighted within our Interim Control Evaluation.
- The NHS Fife Adverse Events Policy has been updated and now includes guidance on the Duty of Candour provisions required by statute. An annual report on Duty of Candour describing its application in NHS Fife in 2018/19 is in development and will include all relevant aspects but was not presented to the CGC before it approved its annual assurance statement.
- During the year there were two relevant audit reports:
  - Internal Audit B16/19 Management of Adverse Events considered the adequacy of organisational procedures for dealing with adverse events, how adverse event reviews are undertaken and actions and lessons learned from these taken forward. There were no material recommendations.
  - Internal Audit B18/19 Medical Equipment and Devices considered whether action had been taken to address the recommendations made in our previous report on this subject (B17/17) and concluded that all recommendations had now been addressed.
- In response to an issue highlighted by Audit Scotland in their Management Report 2018/19 related to Organisational Resilience Self-Assessment the Board has agreed to document an action plan to monitor implementation of the NHS Scotland Health Resilience Unit standards and present this to the NHS Fife Resilience Forum in July 2019.

## **Staff Governance**

#### Key arrangements in place:

- The Staff Governance Committee (SGC) Terms of Reference (ToR) are generally in line with the 4th Edition Staff Governance Standard.
- The SGC reviews the Staff Governance Annual Monitoring Return before its submission to SGHSCD. Areas requiring improvement are identified in the return as iMatter response rate, completion of staff appraisals on TURAS. These issues were not referred to in the SGC's Annual Assurance Statement for 2018/19 although reference to these matters as agenda items is incorporated in the Statement.
- Year-end assurance on the 2018-19 Staff Governance Action Plan was presented to the SGC on 3 May 2019. This highlighted significant issues related to compliance with core training, staff appraisals, low response to iMatter and no iMatter annual report produced by NHS Fife and sickness absence rate above the average for NHS Scotland. However, these issues were not mentioned in the SGC's Annual Assurance Statement for 2018/19, although reference to these matters as agenda items is incorporated in the Statement.
- All of the issues highlighted in the SGHSCD Staff Governance Monitoring Return and the Year-End Review of the 2018/19 Staff Governance Action Plan are recorded in the 2019-20 NHS Fife Staff Governance Action Plan and the actions associated with these all have a review date of September 2019.
- The NHS Fife Workforce Strategy is listed as a key control in the workforce sustainability BAF. It was approved by Fife NHS Board on 25 July 2018. High level updates regarding the strategy and the responsibilities of the NHS Fife Strategic Workforce Planning Group have been provided to the SGC in 2018-19. Whilst an update on action plan is not provided directly to the Committee. This work is addressed and monitored through the Workforce Steering Group and updates from this Group will provide assurance to the Committee.
- A revised NHS Fife Workforce Strategy will be presented to Fife NHS Board for approval on 31 July 2019. We have been informed that the associated action plan will be used as a basis for updates to the SGC in 2019/20. This area will be reviewed in B23/20 Workforce Planning.
- A Once for Scotland Workforce model has been established to create single standardised policies that will be used across NHS Scotland and therefore, all NHS Fife workforce policies will be updated when model policies are available.
- The SGC relationship with the Remuneration Sub-Committee is clearly defined.
- The SGC ToR include reference to assuring the Board that the staff governance arrangements in the Integration Joint Board are working effectively and its responsibility to escalate any issues to the NHS Fife Board if serious concerns are identified regarding staff governance issues within the services devolved to the Integration Joint Board.
- Both the Area Partnership Forum and SGC have received regular updates around monitoring compliance with the Staff Governance Standard.
- Attendance management continues to be a regular agenda item during 2018/19. This

reflects NHS Fife position of having a sickness rate slightly above the NHS Scotland average (NHS Fife – 5.51%, NHS Scotland – 5.39% for 2018/19). Scottish Government recently announced in PCS(AFC)2019/2 that NHSScotland should work towards reducing sickness absence by 0.5% per annum over 3 years, beginning on 1 April 2019 with the aim of achieving an overall NHSScotland average of less than 4.0% (not 5% as shown in the IPR). This will be extremely challenging given the changing demographic of the workforce will also be reviewed as part of B23/20.

- An annual report for the Remuneration Sub-Committee for 2018/19 concluded that 'appropriate arrangements were in place for the implementation of the circulars and the sub-committee fulfilled its remit and purpose'. However, it has not undertaken a self assessment against the Audit Scotland methodology for the last two years.
- The Remuneration Sub-Committee received reports confirming that staff in executive and senior manager grades are appraised in accordance with PCS2013(ESM)01.

# Planned and ongoing developments, including responses to previous significant internal audit reports:

- We have previously reported that the Staff Governance action plan does not contain SMART objectives or details of specific measures the to be undertaken and that the Area Partnership Forum which oversees the implementation of the SGAP does not provide the SGC with an Annual Report concluding on its activities and assurances for the year. Our recommendations for change were not accepted but remain relevant.
- We previously reported that the SGC should receive an annual whistle-blowing report.
   This was not implemented; however relevant details are included in the governance monitoring return to SGC.
- Consultant appraisal figures were 93% for 2018/19 compared to 79% for 2017/18. GP appraisal figures were 99% for 2018/19 compared to 96% for 2017/18 and the Scottish average of 97%.
- As reported to the Executive Director's Group in May 2019, the compliance rate for completion of personal development plans within TURAS was 42% at April 2019 which is 3% above the trajectory set to achieve the NHS Fife target of 80% by October 2019.

## **Detailed Finding and Action Point Reference 5**

## Finding:

Although high level updates on the preparation and approval of the NHS Fife Workforce Strategy have been provided to the SGC in 2018-19 it has not been formally updated on progress towards implementing the NHS Fife Workforce Strategy Action Plan, though we have been informed that the intention is to provide updates to the SGC using the action plan to the new strategy.

The Terms of Reference of the NHS Fife Strategic Workforce Planning Group state that 'Work Generated by the group shall be formally reported to EDG and the Staff Governance Committee as appropriate' but does not include a specific responsibility to provide an annual update on progress against the Workforce Strategy Action Plan to the SGC.

#### **Audit Recommendation:**

The Terms of Reference of the NHS Fife Strategic Workforce Planning Group should be amended to include a specific responsibility to provide an annual update on progress against the NHS Fife Workforce Strategy Action Plan to the SGC. This is particularly important given that the Workforce Strategy is the key control listed in the Workforce Sustainability BAF.

Assurance on progress against the NHS Fife Workforce Strategy from the NHS Fife Strategic Workforce Planning Group to the Staff Governance Committee should be scheduled in the Committee's Annual Workplan for 2019-20 before the SGC Annual Assurance Statement is approved.

## **Priority: 2**

## **Management Response/Action**

The workforce strategy forms part of the current workplan for the Staff Governance Committee. The above recommendation will be incorporated into future workplans and reports will be made as appropriate to the Staff Governance Committee. The ToRs described above will be amended accordingly.

## **Action by / Date:**

**Director of Workforce** 

30 September 2019

## **Detailed Finding and Action Point Reference 6**

## Finding:

The NHS Fife Remuneration Sub-Committee has not undertaken a self assessment using the self assessment pack issued by Audit Scotland for 2017/18 or 2018/19.

## **Audit Recommendation:**

The self assessment checklist for the Remuneration Sub-Committee should be completed for the years of 2017/18 and 2018/19.

The self assessment should be completed annually before the Remuneration Sub-Committee's Annual Assurance Statement.

# **Priority: 3**

# **Management Response/Action**

Discussion on a retrospective self assessment will be discussed at the Sub Committee in June 2019.

The self assessment checklist will be incorporated into the overarching Board and Committee self assessment process for 2019/20. Any relevant aspects of the recommendations emerging from national work through the Blueprint for Good Governance will be taken into consideration.

# **Action by / Date:**

**Director of Workforce** 

30 June 2019

**Board Secretary** 

31 March 2020

## **Financial Governance**

#### Key arrangements in place:

- Financial performance continues to be reported as part of the Integrated Performance Report (IPR) to the Board and all the Standing Committees. The IPR presented to the May 2019 FP&RC stated the revenue position for the 12 months to 31 March reflects an under spend of £0.219m. This comprises an under spend of £6.869m attributable to Health Board; and an over spend of £6.650m aligned to the Integration Joint Board (health budgets delegated to the IJB), (£0.325m 'health' under spend and the impact of the risk share agreement (£6.975m). There is a small capital surplus of £2k against a Capital Resource Limit of £8.481m. The risk-share agreement has serious financial implications for the Board and will be the subject of further discussions.
- The audited financial statements will be presented to the Audit & Risk Committee on 20
  June 2019 with approval of the accounts scheduled for the Board meeting on the 26
  June 2019. To date there have been no significant issues highlighted by External Audit in
  relation to the annual accounts.
- There is adequate monitoring of the Board's financial position at NHS Fife Board and standing committee level with appropriate frequency. We commend the inclusion of Fife IJB's overall financial position within the financial reports within the Integrated Performance Report and specific inclusion of the risk share elements within the final forecast as well as regular review of the Financial Sustainability BAF by the FP&RC.
- The Annual Operational Plan 2018-19 and Regional Delivery Plan, including Financial Plan, were approved by the NHS Fife Board at its meeting on 14 March 2018. The financial plan for 2018/19 was approved by the Board as part of the overall Annual Operational Plan process.
- The Board Members' Register of Interests has been made available on the staff intranet and on the NHS Fife website.
- During the year there were three relevant audit reports:
  - Internal Audit B22/19 concluded that Losses and Compensations arrangements were broadly satisfactory
  - Internal audit review B28/19 Financial Process Compliance found no evidence of failings in any of the financial systems reviewed and confirmed that the audit recommendations from the previous review had been implemented
  - Internal Audit B33/19 concluded that the Endowment Funds arrangements were Broadly Satisfactory.
- The Scheme of Delegation, Standing Financial Instructions and Financial Operating Procedures cover the required areas and also demonstrate an appropriate system of budgetary control including clear delegation to budget holders.
- Budget setting principles have been agreed for 2019/20 as part of a paper titled 'Financial Outlook 2019/20 to 2021/22' to the FP&RC on 18 September 2018. We will review these principles as part of B24/19 Financial Planning.
- An update on the NHS Fife Property and Asset Management Strategy (PAMS) 2014-20
  was presented to the September 2018 FP&RC prior to submission to the Scottish
  Government. Progress on the new PAMS has been reported to other FP&RC meetings
  which reported that it is being revised to reflect transformation. The 2017 Annual State

NHS Fife Internal Audit Service:

B06/20 Annual Internal Audit Report

of NHSScotland Assets and Facilities Report was presented to the January 2019 FP&RC.

• NHS Fife has an appropriate Anti-Fraud and Corruption Policy and Response Plan and has an identified Fraud Liaison Officer.

# Planned and ongoing developments, including responses to previous significant internal audit reports:

- Within B06/19 Annual Internal Audit Report 2018/19, we highlighted the overall increase in financial risk across NHS Scotland and the increasing difficulty in driving the efficiencies required to break even in future years. The reliance on non recurrent savings to achieve financial targets has also been identified within NHS Fife Management Report 2018/19 by Audit Scotland and governance of the Transformation Programme, which could be the primary vehicle for delivering such savings, still requires considerable improvement.
- The development of the five year financial plan is being undertaken in conjunction with the East of Scotland Regional Delivery Plan. Verbal updates have been provided to the NHS Fife Board during 2018/19 but the overall plan has not yet been finalised. We would highlight that Regional Planning is unlikely to deliver substantial recurrent savings of the order required by NHS Fife.

## **Information Governance**

#### Key arrangements in place:

- An NHS Fife Information Governance and Security Group (IG&SG) has an agreed Terms
  of Reference and meets on a quarterly basis to consider business scheduled in an
  agreed workplan.
- The Acute Services Division Chief Operating Officer (COO) was NHS Fife's Senior Information Risk Owner (SIRO) in 2018/19 with the Director of Finance and Performance assuming responsibility for 2019/20. The Information Governance and Security Manager was the Data Protection Officer (DPO) in 2018/19.
- An Executive Director's Annual Assurance Letter from the COO in post from 28 January to 31 March 2019 provided assurance regarding their SIRO role for this period and confirmed that neither the SIRO nor the DPO had taken on a role or tasks that may have resulted in a conflict of interests with their roles as SIRO and DPO. No Executive Director's Annual Assurance Letter was obtained from COO in place from 1 April 2018 to 27 January 2019 before her departure.
- The Board has policies in place covering Information Security, Data Protection and Confidentiality. The Information Security Policy is under review currently and will be brought back to the next IG&SG meeting on 28 August 2019 for approval for submission to the General Policies Group.
- The NHS Fife eHealth Board has an agreed Terms of Reference and meets on a quarterly basis to consider business scheduled in an agreed workplan.
- A Board Assurance Framework (BAF) section for eHealth Delivering Digital and Information Governance and Security was prepared in 2018/19 and was approved by the eHealth Board on 24 May 2019.
- Information Governance related incidents are reported to each meeting of the IG&SG.
   In 2018/19 two incidents were considered serious enough to be reported to the Information Commissioner's Office but the ICO concluded that no further action was required.

# Planned and ongoing developments, including responses to previous significant internal audit reports:

- As the CGC is responsible for providing assurance on Information Governance to Fife NHS Board it is important that it receives regular, clear, unambiguous assurance regarding compliance with key legislative requirements. Whilst high level reports describing compliance with General Data Protection Regulations (GDPR) were presented to the January and March CGCs it received no overt reporting on compliance with the Networks and Information Systems (NIS) Directive, the Public Sector Cyber Resilience Action Plan or the NHS Scotland Information Security Policy Framework. More fundamentally, it did not receive an Annual Assurance Statement from the IG&SG before it produced its annual report which concluded that adequate and effective Information Governance arrangements were in place.
- The Information Governance Team has been subject to high staff turnover but is now established with a full complement of staff.
- The Information Governance & Information Security Management System action plan and associated work packages were not presented to the IG&SG during 2018/19,

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although a status update was presented on 28 May 2019.

- We are pleased to note that assurance to the IG&SG regarding activity to achieve and maintain compliance with all key Information Governance requirements is to be substantially revised in 2019/20 and there will be greater scrutiny of compliance with its workplan. B31&32/19 will report on this area in more detail.
- Compliance with the legislative timescales for processing Freedom of Information Requests fell as low as 51% in 2018/19 but after remedial action was taken the compliance rate for the final quarter of 2018/19 improved to 69%.
- The NHS Fife Information and Digital Technology Strategy 2019-2024 was presented to the eHealth Board on 26 February 2019 but feedback was insufficient to allow approval at the next meeting as intended. In the meantime, an updated NHS eHealth Delivery Plan, which will be the vehicle for delivering the strategy will be presented to the eHealth Board for approval on 19 August 2019.
- In response to Audit Scotland recommendations the Board has agreed to:
  - document recovery processes for the ongoing improvements between primary and secondary platforms for the Trackcare and Patientrack systems;
  - provide updates to the Board on progress on Cyber Security;
  - work towards full GDPR compliance by the end of 2019 and to conduct audits on a continuous basis to confirm that compliance is maintained.

## **Detailed Finding and Action Point Reference 7**

## **Finding:**

Our recommendation from B08/19 (action point 10) regarding providing the Clinical Governance Committee with adequate assurance regarding compliance with the General Data Protection Regulations (GDPR), the Data Protection Act 2018, the Networks and Information Systems (NIS) Directive, the Public Sector Cyber Resilience Action Plan and the NHS Scotland Information Security Policy Framework has not yet been fully addressed as aside from high level reports on GDPR compliance presented to CGC in January and March 2019 overt assurance on these areas has not been provided. The original timescale for implementation of actions to address this recommendation was by 31 December 2018.

#### **Audit Recommendation:**

A report should be provided to the NHS Fife Clinical Governance Committee clearly stating the Board's current status of compliance with the General Data Protection Regulations (GDPR), the Data Protection Act 2018, the Networks and Information Systems (NIS) Directive, the Public Sector Cyber Resilience Action Plan and the NHS Scotland Information Security Policy Framework.

The report should include overt statements on

- How compliance with the NIS Directive will be managed and monitored
- How NHS Fife will prepare for external review by the Competent Authority
- How existing processes for GDPR, cyber-essentials and any other IG requirements will be assimilated/made congruent with the actions required for the NIS Directive
- Overall assessment of likely gaps
- Risk assessment.

## **Priority: 2**

## **Management Response/Action**

We accept improvements are required in respect of overt assurance reporting to the Clinical Governance Committee. A detailed report, as described, will be considered by the Inforamtion Governance and Security Group in August 2019 for submission to the CCG in September.

## **Action by / Date:**

**DPO/SIRO** 

30 September 2019

# **Detailed Finding and Action Point Reference 8**

## Finding:

The Executive Director's Annual Assurance Letter from the Chief Operating Officer for Acute Services Division who was identified as the Board's SIRO from 28 January 2019 provided their assurance as SIRO but only for the period from 28 January 2019 to 31 March 2019. No Executive Director's Assurance Letter was requested from the previous SIRO before they left.

#### **Audit Recommendation:**

The disengagement process for Executive Directors who leave NHS Fife should include obtaining from them an Executive Director's Assurance Letter covering the period they were in post.

## **Priority: 3**

# **Management Response/Action**

We accept the recommendation and a process will be implemented to ensure appropriate assurances are received in the event of a Director leaving post

# Action by / Date:

**Board Secretary** 

30 September 2019

# Performance against service specification

	Planning	Target 2018/19 20		2017/18
1	Strategic/Annual Plan presented to Audit & Risk Committee by April 30th	Yes	Draft No Presented May 2019	
2	Annual Internal Audit Report presented to Audit & Risk Committee by June	Yes	Yes Yes	
3	Audit assignment plans for planned audits issued to the responsible Director at least 2 weeks before commencement of audit	75%	78% 76%	
4	Draft reports issued by target date	75%	65%	47%
5	esponses received from client within timescale 75% 65% 64% efined in reporting protocol		64%	
6	Final reports presented to target Audit & Risk Committee	75%	75% 73%	
7	Number of days delivered against plan	100% at year-end	90% 90%	
8	Number of audits delivered to planned number of days (within 10%)	75%	70% 80%	
9	Skill mix	50%	74% 82%	
10	Staff provision by category	As per SSA/Sp ec	Exceeded see Pie chart	
	Effectiveness			
11	Client satisfaction surveys	Average score of 3	Exceeded – chart	see Bar

The priorities relating to Internal Audit recommendations are defined as follows:

Recommendations	Definition	Total
Priority 1	Priority 1 recommendations relate to critical issues which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.	None
Priority 2	<b>Priority 2 recommendations</b> relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.	Six (Ref: 1, 2, 3, 4, 5 & 7)
Priority 3	<b>Priority 3 recommendations</b> are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.	Two (Ref: 6 & 8)
Priority 4	<b>Priority 4 recommendations</b> are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.	None.

Priority 1 and 2 recommendations are highlighted to the Audit & Risk Committee and included in the main body of the report within the Audit Opinion.



## **Audit & Risk Committee**

DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Scottish Government Portfolio Audit & Risk Committee: Significant Issues that are considered to be of wider interest
<b>EXECUTIVE LEAD:</b>	Carol Potter, Director of Finance & Performance
REPORTING OFFICER:	Carol Potter, Director of Finance & Performance

Purpose of the Report (delete as appropriate)					
For Approval	For Discussion	For Information			

## **SBAR REPORT**

The Audit & Risk Committee of NHS Fife has a responsibility to ensure any significant issues that are considered to be of wider interest are brought to the attention of the Scottish Government Portfolio Audit & Risk Committee.

## **Background**

The Scottish Public Finance Manual sets out guidance on this matter.

## **Assessment**

The attached letter of 29 April 2019 provides further details.

A draft response to this letter is attached for review.

## Recommendation

Members of the Audit and Risk Committee are asked to

• <u>authorise</u> the Chair of the Audit & Risk Committee to sign and submit the response to Scottish Government Health & Social Care Directorates

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Objectives: (must be completed	
Healthcare Standard(s):	Governance and assurance is relevant to all Healthcare
	Standards.
HB Strategic Objectives:	All

Further Information:		
Evidence Base:	N/A	
Glossary of Terms:		
Parties / Committees consulted		
prior to Finance, Performance &		
Resources Committee Meeting:		

Impact: (must be completed)									
Financial / Value For Money	These	factors	are	а	key	component	of	the	assurance
Risk / Legal:	process	3							
Quality / Patient Care:									
Workforce:									
Equality:	1								

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**NHS Board Chairs** 

Copied to: NHS Board Chief Executives NHS Board Directors of Finance

29 April 2019

Dear Chair

#### SIGNIFICANT ISSUES THAT ARE CONSIDERED TO BE OF WIDER INTEREST

The guidance in the Scottish Public Finance Manual requires Audit Committees of NHS Scotland Boards to notify the Scottish Government portfolio Audit and Risk Committee of any significant issues that are considered to be of wider interest.

https://www.gov.scot/publications/scottish-public-finance-manual/audit-committees/audit-committees/

The Chair of your Board's Audit Committee should provide details of any significant issues of fraud which arose during 2018-19 which they consider should be brought to the attention of the Health and Social Care Assurance Board.

This should be informed by the assurances received to support the Governance Statement in your Board's Annual Accounts. It would be appropriate for the Audit Committee to consider this statement at the same time as the Accounts and the Governance Statement.

Audit committees have a role in providing the assurance required to underpin the <u>governance statement</u> provided by the Principal Accountable Officer (the Scottish Government Permanent Secretary) as part of the consolidated accounts of the Scottish Government. Your Board's Audit Committee is therefore required, at the earliest opportunity, to notify the Health and Social Care Assurance Board if it considers that it has identified a significant problem which may have wider implications. The Health and Social Care Assurance Board will in turn report relevant issues to the Scottish Government Assurance and Audit Committee.

All statements should be submitted by **28 June 2019** in line with the Annual Accounts timetable, to <a href="mailto:nhsaccounts@gov.scot">nhsaccounts@gov.scot</a>.

Please do not hesitate to contact Barbara Crowe on 0131 244 2692 or Lynsey Macdonald on 0131 244 2502 if you require further information.

Yours faithfully

Richard McCallum

PMCCal\_

Deputy Director of Health Finance and Infrastructure

St Andrew's House, Regent Road, Edinburgh EH1 3DG www.gov.scot







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## Fife NHS Board

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Deputy Director of Health Finance &
Infrastructure
Health Finance Directorate
St Andrew's House
Regent Road
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EH1 3DG

Date 20 June 2019 Your Ref

Our Ref CP/Martin Black/KS
Enquiries to Mrs C Potter
Extension Ext 28139
Direct Line 01592 648139
Email carolpotter2@nhs.net

Dear Mr McCallum

#### SIGNIFICANT ISSUES THAT ARE CONSIDERED TO BE OF WIDER INTEREST

I am writing regarding the request that the Health and Wellbeing Audit & Risk Committee be notified of any significant issues or frauds of wider interest, which have arisen from NHS Fife activity during 2018/19.

I enclose a copy of the Annual Report produced by the Audit & Risk Committee which summarises the range of areas covered by the Committee throughout 2018/19.

There are no new disclosures within the Boards Governance Statement which have not already been highlighted during the year to be noted and no significant frauds have arisen during the financial year 2018/19.

Finally I have also enclosed a copy of the overarching Assurance Statement from the Audit & Risk Committee to the NHS Board, which was signed by myself on behalf of the Committee.

I trust that this letter will meet the reporting requirements. Please do not hesitate to contact myself or Carol Potter, Director of Finance & Performance if you require any further information.

Yours sincerely

#### **MARTIN BLACK**

Fife Health Board, Audit & Risk Committee Chair











## **Audit & Risk Committee**



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Draft Annual Accounts for the Year ended 31 March 2019
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)			
For Decision	For Discussion	For Information	

#### **SBAR REPORT**

## **Situation**

The Board is required under Section 86(3) of the National Health Service (Scotland) Act 1978 to prepare Annual Accounts. It is the role of the Audit & Risk Committee to consider the Accounts and associated documents and to recommend adoption of the Accounts by the Board. The Accounts are to be presented to the Board at its meeting on 26 June 2019.

## **Background**

The format of the Accounts is specified in the Financial Reporting Manual which incorporates the Scottish Government's guidance on the accounting policies to be followed in the preparation of the accounts narrative and supporting financial statements. The Accounts have been subject to external audit by Audit Scotland and are attached to this SBAR for scrutiny by the Committee.

The Accounts include a Corporate Governance Report. Also included is a statement of Health Board Members' Responsibilities in respect of the Accounts and a Statement of the Chief Executives responsibilities as the Accountable Officer of the Health Board. This is in line with Corporate Governance in the NHS and gives more detailed assurance on the internal systems designed to ensure good financial control within the organisation.

#### **Assessment**

#### **Financial Overview**

The Performance Report in the Accounts provides an overview and the performance analysis for the year, including a summary of the main aspects which impact on the financial position for the year. The Board is monitored by the Scottish Government Health & Social Care Directorates against a Revenue Resource Limit (RRL) and a Capital Resource Limit (CRL), within which it must contain its spending.

The core RRL was set at £707.071m, against which there was an underspend of £0.260m. The comparative underspend in 2016/17 was £1.494m. The CRL was £7.986m for the year, net of receipts, against which there was net investment of £7.981m. There were no prior year adjustments required in 2018/19.

The Consolidated Statement of Comprehensive Net Expenditure and Summary of

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Resource Outturn in the Accounts provide a summary of key results for the year. The main features are set out below, with the relevant Note to the Accounts indicated.

Note 3 provides details on operating expenses including staffing, independent primary care services, drugs and medical supplies and other healthcare expenditure.

Staffing expenditure has increased by 3.7%, from £329.904m in 2017/18 to £342.035m in 2018/19, with the largest proportionate increase within medical and dental staffing. Further details on staffing levels are shown within the Remuneration & Staff Report contained within the wider Accountability Report at page 22 of the Annual Accounts.

Expenditure on independent primary care services (medical, pharmaceutical, dental, and ophthalmic) has increased by 5.6%, from £91.032m in 2017/18 to £96.109m in 2018/19.

Drugs and medical supplies costs have reduced by 1.1% from £129.952m in 2017/18 to £128.520m in 2018/19largely the result of the successful medicines efficiency programme within GP prescribing.

Other operating expenditure has reduced from the previous year; with a reduction of 2.2%<sup>1</sup>, from £249.241m in 2017/18 to £243.693m in 2018/19. This category of expenditure encompasses a number of non clinical costs such as compensation payments, rates, and depreciation.

The results for the year demonstrate financial prudence and associated financial control, as well as an ongoing commitment to investment in the delivery of clinical services for the people of Fife. The results for the year are positive in what has been a further challenging year.

## **External Audit Reporting**

The Annual Audit Report for the Board of NHS Fife and the Auditor General for Scotland, from the external auditor is provided to the Audit & Risk Committee as agenda item 11.2. The report includes the Audit of the 2018/19 Financial Statements as well as consideration of Financial Management and Sustainability, Governance & Transparency, and Value for Money. The Annual Audit Report will be presented to the NHS Board on 26 June 2019, along with the draft Annual Accounts.

The draft Auditor's Report includes the following opinion on the Financial Statements:

## That they:

- give a true and fair view in accordance with the National Health Service (Scotland)
  Act 1978 and directions made thereunder by the Scottish Ministers of the state of
  the affairs of the board and its group as at 31 March 2019 and of the net expenditure
  for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health

<sup>&</sup>lt;sup>1</sup> This excludes the contribution of £425.380m to the Integration Joint Board, which is offset by corresponding income in note 4, net of the risk share adjustment

Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

On regularity, the draft Auditors' Report also includes the statement that in their opinion:

 all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

On prescribed matters, the draft Auditors Report includes the following opinion:

 the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

and that

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

The report also states there are no matters that the Auditor requires to report by exception.

The Chief Executive, on behalf of the Board, is required to submit to the auditor a Letter of Representation (ISA 580) in connection with the audit. The draft is attached as agenda item 11.3 and if approved by the Committee will be recommended to the Board at its meeting.

In order for the Board to approve these statements and adopt the Accounts, the Audit & Risk Committee is required to prepare and agree an Annual Statement of Assurance to the NHS Board, covering all matters of governance. This is detailed in agenda item 11.4. Members should note that this is <u>not</u> the same as the Audit & Risk Committee Annual Assurance Statement (agenda item 10.3).

## **Publication**

Members are reminded that the Accounts, once adopted by the NHS Board, do not become public documents until they have been laid before the Scottish Parliament and clearance to publish them has been received from the Director of Health Finance, Scottish Government.

## **Recommendation**

The Audit & Risk Committee is asked to:

- **consider** the draft Annual Accounts for 2018/19 (attached);
- endorse the external auditor's Communication of Audit Matters, including the draft Independent Auditors' Report (item 11.2);
- approve the draft Letter of Representation (item 11.3) per the covering SBAR for the Letter;
- approve the draft Annual Statement of Assurance to the NHS Board (item 11.4) per the covering SBAR for the Statement;
- authorise the Audit & Risk Committee Chair to recommend to the Board that the Accounts be adopted.

Objectives: (must be completed)			
Healthcare Standard(s):	All		
HB Strategic Objectives:	All		

Further Information:				
Evidence Base:	NA			
Glossary of Terms:	NA			
Parties / Committees	Internal Audit			
consulted prior to Audit & Risk	Audit Scotland			
Committee:				

Impact: (must be completed)	
Financial / Value For Money	Statutory requirement to breakeven
Risk / Legal:	Statutory requirement to prepare annual accounts.
Quality / Patient Care:	Financial governance of the Board is undertaken within
Workforce:	the context of all aspects of patient care, workforce and
Equality:	equality

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# NHS FIFE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

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#### PERFORMANCE REPORT

#### Overview

The purpose of this overview is to provide a summary of the activities of NHS Fife and both the risks and achievements during the year. In addition, detail is provided on all aspects of non financial performance.

#### **Chief Executive Statement**

Progress and innovation continues to take centre stage. In last year's Performance Report I highlighted how we have been working to continually improve our services by incorporating state-of – the- art facilities with the latest thinking in best practice to use every opportunity to make the best use of our resources and talented workforce. We do so through a fully integrated approach with Fife Health & Social Care Partnership and colleagues in Fife Council and the Third Sector, delivering responsive services that care for people as close to their home as possible.

NHS Fife continues to sustain performance against key indicators and targets, performing well against other mainland Boards.

Despite the challenges of increasing demand and an ageing population, NHS Fife remains a high performing Board in a number of areas including sustaining performance against the Four-Hour Emergency Access target, Cancer 31-Day Decision-to-Treat, Diagnostic Waiting Times, Delayed Discharges and Dementia Post-Diagnostic Support. Improvements have also been seen in Child and Adolescent Mental Health Services. Performance against other targets was variable with some not reaching the required level.

Our work has been innovative, forward thinking and person-centred.

- We have gained approval from the Scottish Government to proceed with the development of a state-of-the-art £30 million elective orthopaedic centre, in line with the requirements of the Scottish Capital Investment process.
- We became the first health board in Scotland to perform day case hip replacements, for appropriate cases. This procedure reduces the patients' length of hospital stay and improved outcomes.
- We have been recognised for the pioneering way we are maintaining the skills of nurses looking after preterm babies and are working towards becoming the first maternity unit in Scotland to be Gold accredited by UNICEF for Baby Friendly status.
- We became the first Board in Scotland to pilot Urolift, a minimally invasive procedure for enlarged prostate, a day case procedure which has resulted in faster recovery time for patients and eradicated the risk of permanent side effects associated with traditional treatment.
- Our Medicines Efficiency programme has achieved over £12 million in medicines efficiencies across NHS Fife since 2016 without compromising on the quality of prescribing, and presented new opportunities to improve patient care.
- A new out-of-hours frailty service using an electronic screening tool is improving outcomes for older people presenting at NHS Fife's Emergency Department.
- Through close partnership working with the community we have been able to create dedicated gardens for Queen Margaret Hospice Garden which are providing significant benefits for patients and their families. This work was supported through the Fife Health Board Endowment Fund.

Transformation programmes are now well underway with Joining Up Care and Metal Health Redesign now in year 3. The most significant work in Joining Up Care in the last 2 years is the care approach to patients who regularly access emergency services and have complex multiple chronic conditions. This approach along with the development of Community Hubs provide services for patients on the

frailty pathway These patients have been cohorted together under High Health Gain (HHG) individuals and managed in the community supported by a case management model. During 2018/19, the Mental Health Strategy has been reviewed and revised. The key strategic intentions include the Our Minds Matter approach to children and young people's emotional health and well-being and shifting the balance of care.

The Site Optimisation programme has been closed and is being re-launched under the Acute Transformation Programme with strands of transformational work addressing 7-Day Working, Patient Administration & Outpatients improvement work, Acute & Front Door improvement, and Ward Improvements project. In addition to local plans, we continue to work with neighbouring Health Boards to develop high quality; sustainable regional services that will benefit from a regional, population based planning approach. I am very pleased to report that a regional approach has already made a positive difference in numerous areas including Radiography, Laboratories, Oncology and Endoscopy.

2018/19 was a landmark year for the National Health Service and here in Fife it provided a unique opportunity to both reflect on the ways that care has evolved over the last 70 years, and consider how it may further develop in the years ahead.

The NHS has laid strong foundations. 70 years ago these foundations revolutionised healthcare and we have been building on them ever since. In 2019/20 NHS Fife will continue that rich tradition of progress, dynamism and innovation.

## **Background**

NHS Fife is the common name for Fife Health Board. Fife Health Board was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for commissioning and delivering health care services for the residents of Fife, a total population of c.370,000.

NHS Boards form a local health system, with single governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The overall purpose of the NHS Board is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole.

The role of the NHS Board is to:

- improve and protect the health of the local people
- improve health services for local people
- focus clearly on health outcomes and people's experience of their local NHS system
- promote integrated health and community planning by working closely with other local organisations and
- provide a single focus of accountability for the performance of the local NHS system.

The functions of the NHS Board comprise:

- strategy development
- resource allocations
- implementation of the Annual Operational Plan and
- performance management.

## Component Parts of NHS Fife

NHS Fife's structure comprises an Acute Services Division and a Health and Social Care Partnership, which is overseen by the Fife Integration Joint Board.

#### Acute Services Division

The Division is responsible for acute hospital services at Victoria Hospital in Kirkcaldy and Queen Margaret Hospital in Dunfermline.

## Health and Social Care Partnership (H&SCP)

The partnership is responsible for the improvement of the health and wellbeing of the local population and to provide primary and community health services within their areas, including community hospitals.

#### Corporate Directorates

The following Directorates provide Fife-wide services:

- Public Health;
- Medical Directorate (including Service Redesign and Primary Care / Family Health Services);
- Nursing (including Public and Patient Involvement; Legal Services and Risk Management);
- Human Resources (including Health and Safety);
- Finance (including Procurement);
- Planning and Performance (including Corporate Services, eHealth, Planning, Organisational Development, Information Services and Communications);
- Estates and Facilities

#### Integration Joint Board

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25th February 2014 and received Royal assent in April 2015. It established the framework for the integration of health and social care in Scotland.

The Parties agreed to proceed by way of adopting the body corporate model of integration and established an Integration Joint Board as provided for in Section 1(4)(a) of the Act. The Integration Joint Board is responsible for the operational oversight of Integrated Services, and through the Director of Health and Social Care is responsible for the operational management of Integrated Services.

The Integration Joint Board is responsible for the planning of a range of specific Acute Services however NHS Fife remains responsible for the operational oversight of these services on a day to day basis. The Director of Health and Social Care and the Chief Operating Officer work closely together to ensure appropriate planning and delivery of the services they respectively plan for and manage.

The Integration Joint Board is governed by Committees with membership drawn equally from members of the Health Board (both executive and non-executive) and Councillors from Fife Council.

#### **Key Issues and Risks**

Key issues involve providing a person centred approach to healthcare which is safe, sustainable, efficient and adaptable, whilst at the same time, seeking to integrate Primary and Secondary Care and meet the aims of the 20-20 Vision.

Going forward, the major risk to the ability to provide a fully inclusive Health Service is the increased demand associated with an increasing population, and in particular an increasing ageing population.

Projections suggest that the population of Fife will increase by 8% (30,729) by 2037; there will be a higher number of people aged over 65, many with multiple health conditions placing a greater demand on health and social care services. Older age is associated with an increased likelihood of living with a greater number of long-term conditions; however many younger people also live with one or more chronic conditions. In Fife in 2014-15, 45% of adults reported that they had one or more long-term condition.

It is estimated that every year mental health disorders affect more than a third of the population, the most common of these being depression and anxiety. An ageing population is leading to an increase in the number of people with age-associated mental health conditions such as dementia. In Fife, it is estimated that 6,000 people are affected by dementia which is anticipated to increase to approximately 10,000 over the next 15 years.

The number of cancers diagnosed in Fife each year is projected to increase by 33%. In 2008-12 there were 153,000 cancers diagnosed. This is projected to increase to over 204,000 by 2023-27.

These additional demands will put real pressures on the service at a time of limited funding. To address the financial and demographic challenges, a programme of major redesign and significant transformation of services is essential. The implementation of the Clinical Strategy and the Strategic Plan for the Integration Joint Board are key to driving forward the changes required.

## **Performance Summary**

NHS Fife continues to scrutinise key performance indicators in respect of financial and non financial performance, as well as quality, safety and risk metrics based on the suite of Scottish Government Standards. There have been huge challenges being faced maintaining waiting times performance against the increasing demand, ageing population and continuing financial pressures.

Performance was sustained against the 4-Hour Emergency Access Standard and consistently in the top quartile of mainland Health Boards. Performance against other Scottish Government Standards was variable, with some being achieved or almost achieved throughout the year and others never reaching their required levels.

Substantial additional funding from the Scottish Government for the Waiting Times Improvement Plan for 2019/20 has been vital in sustaining and improving performance but the challenge remains in maintaining this level of performance in future years. Performance against the CAMHS Waiting Time Standard improved significantly during 2018/19 as a result of various service changes, investment and improvement actions and Psychological Therapies (PT) waiting times remain challenging with redesign happening within the service.

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#### **Performance Analysis**

#### **Financial Performance**

The Scottish Government Health and Social Care Directorates set 3 financial targets at NHS Board level on an annual basis. These targets are:

- Revenue resource limit a resource budget for on-going operations;
- Capital resource limit a resource budget for net capital investment; and
- Cash requirement a financial requirement to fund the cash consequences of the on-going operations and net capital investment.

NHS Boards are expected to contain their expenditure within these limits and to report on any variation from the limits as set. The Board's performance against these financial targets is as follows:

#### Financial Position 2018/19

		Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
	Core Revenue Resource Limit Non Core Revenue Resource	707,071 23,237	706,811 23,237	260 0
	Limit			
1	Total Revenue Resource Limit	730,308	730,048	260
2	Total Capital Resource Limit	5		
3	Cash Requirement	0		
М	EMORANDUM FOR IN YEAR OUT	£'000		
Re	eported Surplus in 2017/18	1,494		
De	eficit against in year total Revenue i	1,234		

If the Board had not received the £1.494m underspend carried forward from 2017/18, the position would have been a £1.234m overspend.

The Accounts have been prepared under a direction issued by Scottish Ministers which is included as an annex to the accounts.

As NHS Fife is funded by Scottish Government on an on-going basis, there are no issues in relation to meeting the Going Concern Accounting Concept.

For 2018/19, the Board's initial core Revenue Resource Limit (RRL) was £636.964m, increasing to £707.071m by year end. Additional allocations were granted throughout the year including Primary Medical Services (covering services provided to GP's), Outcomes Framework (encompassing various outcomes based initiatives), Access Support (waiting times) and New Medicines Fund. The additional allocations are spread throughout the year.

Details of NHS Fife's Net Operating Costs and RRL outturn are set out in Notes 3 and 4 of the Accounts. The Boards Revenue and Capital Resource Limits have been split between two component elements. Core revenue and capital have a cash or near-cash impact on the Boards net expenditure. Non cash revenue and capital elements of net expenditure such as impairments, provisions and depreciation on assets have a non-core impact.

Efforts to deliver a balanced position for 2018/19 and to reduce the underlying recurring deficit have been successful. The Board considered the Annual Operational Plan last April which showed an initial net gap of £19.6m (£24m savings target less pay consequential funding of £4.4m). Significant

work on a range of projects and initiatives has been undertaken across the health and care system, while continuing to deliver safe and effective care for our patients. These efforts have been positive however there remains a £14.7m shortfall in recurring savings which has been carried forward into 2019/20. The near break even position at year end (£260k underspend) includes a risk share arrangement¹ cost of £6.975m. However, in parallel, financial flexibility opportunities such as financial plan slippage; additional non core funding; and technical accounting entries such as the prior year underspend (£1.494m) have been key to the delivery of the in year position

Delivery of a balanced position in the longer term will be predicated on major redesign of services. This will seek to ensure safe, effective and person centred care at a lower cost, themed around service delivery, transformation and the removal of variation and non value added processes in support of efficiency.

<sup>1</sup> The risk share arrangement is part of the commitment that NHS Fife and Fife Council have to ensure partnership working in services planned by the IJB, in line with the terms of the Integration Scheme

## **Legal Obligations**

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a further provision that recognises the board's share of the total CNORIS liability of NHSScotland has been made.

The total net provision relating to CNORIS at 31 March 2019 is £41.466m, a movement of £1.183m in year.

## **Capital Expenditure**

During 2018/19 the Board spent £8.5m on a wide range of capital building projects, equipment and technology. The element charged to the Capital Resource Limit is £7.986m which is the Capital Expenditure net of receipts. The balance is offset against the Net Book Value (NBV) of equipment disposed of in 2018/19.

Major projects undertaken during the year include £1.3m for the Medium Temperature Hot Water scheme at Victoria Hospital. An additional £2m was also spent on a variety of small building projects across the Board's estate.

eHealth Technology investment of £1m has also been made during the year and new and replacement Medical Equipment purchases of £3.735m.

Overall the Board has spent the Capital Resource Limit in full for the year.

Additional expenditure of £0.5m has also been made in Backlog Maintenance / Statutory Compliance work which has been charged to the Revenue Resource Limit (RRL).

#### **Significant Changes in Non Current Assets**

During the year, the Board has commissioned valuations on several properties from the Valuation Office Agency (VOA). These valuations have resulted in a significant asset value impairment being made at Lynebank Hospital (£1.3m).

#### **Public Private Partnerships**

The Board has two significant service initiatives under the PPP funding route.

The Board entered into a contract with Projco (St Andrews Hospital) Limited for the provision of a new Community Hospital and Health Centre on a site in St Andrews. The contract is for a period of 30 years commencing 31 July 2009. The current Annual Service Payment value is £3.491m per annum.

The Board entered into a contract with Consort Healthcare for the provision of the new Phase 3 on the Victoria Hospital site in Kirkcaldy. The contract is for a period of 30 years commencing 28 October 2011. The current Annual Service Payment value is £25.298m per annum.

Under IFRS Accounting Treatment, both the hospital and the healthcare facilities are recognised as a Non Current Asset on the Board's Statement of Financial Position at a value of £25.4m and £172.9m respectively.

Further details are set out in Note 12 of the Financial Statements.

#### **Provisions**

As at 31 March 2019, the Board has provisions of £131.882.m (2017/18 £125.632m), of which:

	2018/19	2017/18
Clinical and medical negligence cases	£82.251m	£74.561m
Boards share of total NHS Scotland CNORIS liability	£40.431m	£41.082m
Pension provisions	£2.560m	£3.012m
Injury provisions	£6.640m	£6.977m

These provisions include the element funded through Annually Managed Expenditure (AME) in 2018/19. The Board is also disclosing a contingent liability of £22.615m (2017/18 £18.980m) for other legal cases and a contingent asset of £21.430m (2017/18 £17.953m) for income receivable for these. The Board has a small provision for Capital Waste Electronic and Electrical Equipment of £30k.

## **Outstanding Liabilities**

The Board has total outstanding liabilities of £245.421m (2017/18 £244.934m). Of this total, £171.545m relates to future amounts payable on the two PFI contracts (2017/18 £174.296m).

#### **Integrated Performance Analysis**

The NHS Fife Clinical Strategy 2016-2021 was published in 2016 and the transformation programme was developed from the key recommendations of the Clinical Strategy. NHS Fife performance is closely linked to the transformation programme which is now in year 3.

Like all other Mainland Health Boards, NHS Fife continued to face huge challenges during the year in maintaining waiting times performance against the increasing demand, ageing population and continuing financial pressures. Substantial additional funding from the Scottish Government has been vital in sustaining and improving performance in 2018/19, but it will be a significant challenge to maintain this in future years.

In 2018/19, NHS Fife sustained its performance against the 4-Hour Emergency Access Standard, and was consistently in the top quartile of mainland Health Boards. Performance against other Scottish

Government Standards was variable, with some being achieved or almost achieved throughout the year and others never reaching their required levels.

The following table summarises the position for key LDP Standards at the end of 2018/19. Performance is classed as either 'Achieved / Improved Consistently during 2018/19' or 'Requiring Improvement'. An additional column showing the performance trend in comparison to 2017/18 is also provided<sup>1</sup>.

LDP Standard	Achieving or Improving	Requiring Improvement	Comparison with 2017/18					
Acute Services Division								
HAI C Diff	٧		<b>↑</b>					
HAI Sabs		٧	<b>↓</b>					
4-Hour Emergency Access	٧		<b>↑</b>					
Cancer 31-Day DTT	٧		<b>↓</b>					
Cancer 62-Day RTT		٧	<b>↓</b>					
18 Weeks RTT		٧	<b>↑</b>					
Patient TTG		٧	<b>↓</b>					
Outpatient Waiting Times	٧		<b>↑</b>					
	Health & Social Care Parti	nership						
Alcohol Brief Interventions	٧		<b>↑</b>					
Smoking Cessation		٧	<b>↓</b>					
Delayed Discharges (over 14 days)	1	٧	<b>\</b>					
Drugs & Alcohol Waiting Times	٧		↓					
CAMHS Waiting Times		٧	<b>↑</b>					
Psychological Therapies Waiting Times		٧	<b>↓</b>					
Dementia PDS - Referrals		٧	<b>↑</b>					
Dementia PDS - Support	2 √		<b>↑</b>					
	Pan NHS Fife							
Antenatal Access	٧		<b>↑</b>					
Detect Cancer Early	3	٧	<b>↑</b>					
Sickness Absence		٧	<b>↑</b>					

- 1 The comparison between years is in relation to the average number of patients in delay for over 14 days at each monthly census point
- <sup>2</sup> Due to the nature of the measure and the inherent time lag, comparison is between 2017/18 and 2018/19
- $^{\rm 3}$  Performance is measured over a 2-year period, so the comparison is between 2016/2017 and 2018/19

The Integrated Performance Report (IPR) is the main tool NHS Fife uses to review performance at a strategic level. This ensures that key performance indicators in respect of financial and non financial performance, as well as quality, safety and risk metrics are robustly scrutinised by the Board. The content is based on the suite of Scottish Government Standards.

Further detail is provided on page 9 in the form of a Balanced Scorecard, summarising NHS Fife performance against target in 2018/19.

In the vast majority of cases, Local Management Information (LMI) has been used and covers as much of the financial year as is possible given the time constraints on this report. It is important to note that whilst LMI provides a more up-to-date position, data validation processes may not have been completed and this information may therefore be subject to change.

<sup>&</sup>lt;sup>1</sup> The direction of travel shows the movement from the previous financial year. In the balanced scorecard reported on the following page, the direction of travel shows the movement from the previous monthly or quarterly report during 2018/19.

MBEF		,					<u>'</u>		vorsened from previou		1			
RED	Performance is more than 5% behind the Standar					→ Performance unchanged from previous								
= (2			Target for			Natio	lational Comparison (with other 10 Mainland Boards)							
Section	Standard	Quality Aim	2018-19	Current Period	Current Performance	Previous Period	Previous Performance	Direction of Travel	FY 2018-19 to Date	Period	Performance	Rank	Scotland	
Clinical Goverance  AMBER GREEN	HAI - C Diff	Safe	0.32	12 months to Mar 2019	0.20	12 months to Feb 2019	0.20	$\leftrightarrow$	0.20	y/e Dec 2018	0.19	4th	0.27	
	Complaints (Stage 1 Closure Rate in Month)	Person-centred	80.0%	Mar 2019	78.5%	Feb 2019	72.7%	1	78.0%	Only published annually: NHS Fife was 7th for FY 2017/18				
	Complaints (Stage 2 Closure Rate in Month)	Person-centred	75.0%	Mar 2019	34.6%	Feb 2019	54.8%	<b>4</b>	49.0%	Only pu	blished annually: NHS	Fife was 6th for FY2	2017/18	
REI	HAI - SABs	Safe	0.24	12 months to Mar 2019	0.42	12 months to Feb 2019	0.42	$\leftrightarrow$	0.42	y/e Dec 2018	0.43	10th	0.33	
	NF Treatment Waiting Times	Person-centred	90.0%	3 months to Mar2019	100.0%	3 months to Feb 2019	100.0%	$\leftrightarrow$	100.0%	Treatment pro	Treatment provided by Regional Centres so no comparison applicable			
	4-Hour Emergency Access *	Clinically Effective	95.0%	12 months to Mar 2019	95.2%	12 months to Feb 2019	95.2%	$\leftrightarrow$	95.2%	y/e Mar 2019	95.2%	3rd	91.2%	
	Outpatients Waiting Times	Clinically Effective	95.0%	Mar 2019	98.0%	Feb 2019	93.9%	<b>↑</b>	N/A	End of March	98.2%	1st	75.0%	
GREEN	Cancer 31-Day DTT	Clinically Effective	95.0%	Mar 2019	96.0%	Feb 2019	94.2%	<b>↑</b>	95.5%	q/e Dec 2018	95.6%	6th	94.9%	
ပ	Antenatal Access	Clinically Effective	80.0%	Jan-19	93.6%	Dec-18	90.0%	<b>1</b>	91.2%	Only pu	Only published annually: NHS Fife was 7th for FY 2017-18			
g	Drugs & Alcohol Treatment Waiting Times	Clinically Effective	90.0%	q/e Dec 2018	96.8%	q/e Sep 2018	98.5%	4	97.7%	q/e Dec 2018	96.8%	4th	93.9%	
2000	Alcohol Brief Interventions	Clinically Effective	4,187	FY2018/19	4,601	Apr to Dec 2018	2,873	<b>1</b>	4,601	Only pu	Only published annually: NHS Fife was 8th for FY 2017-18			
ER ER	Diagnostics Waiting Times	Clinically Effective	100.0%	Mar 2019	99.9%	Feb 2019	99.5%	1	N/A	End of March	99.9%	1st	84.0%	
AMB	Dementia Post-Diagnostic Support	Person-centred	100.0%	2017/18	85.3%	2016/17	88.2%	<b>4</b>	N/A	Only published annually: NHS Fife was 6th for FY 2016/17				
AMBER AMBER	Dementia Referrals	Person-centred	1,327	Apr to Dec 2018	586	Apr to Sep 2018	406	4	586	Only published annually: NHS Fife was 3rd for FY 2016/17				
	Cancer 62-Day RTT	Clinically Effective	95.0%	Mar 2019	75.6%	Feb 2019	85.6%	4	85.3%	q/e Dec 2018	87.1%	4th	82.7%	
2	18 Weeks RTT	Clinically Effective	90.0%	Mar 2019	76.9%	Feb 2019	77.7%	4	79.0%	Mar-19	76.9%	7th	77.3%	
	Patient TTG	Person-centred	100.0%	Mar 2019	78.8%	Feb 2019	70.5%	<b>↑</b>	72.4%	q/e Mar 2019	69.1%	6th	68.4%	
RED	Detect Cancer Early	Clinically Effective	29.0%	2 years to Dec	25.5%	2 years to Sep 18	24.9%	<b>↑</b>	27.6%	Only published annually: NHS Fife was 6th for 2-year period 2016 and 2017				
	Delayed Discharge (Delays > 2 Weeks)	Person-centred	0	28th Mar Census	43	28th Feb Census	41	4	N/A	28th Mar Census	11.58	7th	9.60	
	Smoking Cessation	Clinically Effective	490	Apr 18 to Jan 19	331	Apr to Dec 2018	290	4	331	q/e Dec 2018	59.2%	5th	63.6%	
	CAMHS Waiting Times	Clinically Effective	90.0%	3 months to Mar2019	72.8%	3 months to Feb 2019	74.1%	4	76.0%	q/e Mar 2019	72.8%	7th	73.6%	
	Psychological Therapies Waiting Times	Clinically Effective	90.0%	3 months to Mar2019	69.8%	3 months to Feb 2019	68.4%	1	68.1%	q/e Mar 2019	67.6%	10th	77.4%	
Staff Governance	Sickness Absence	Clinically Effective	5.00%	12 months to Mar 19	5.39%	12 months to Feb 19	5.39%	1	5.38%		ually: NHS Fife had the ife performance 5.519			

Direction of Travel

Definition

Performance improved from previous

Definition

GREEN Performance meets or exceeds the required Standard (or is on schedule to meet its annual Target)

Status

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<sup>\*</sup> The 4-Hour Emergency Access performance in March alone was 94.5% (all A&E and MIU sites) and 92.6% (VHK A&E, only)

#### **Payment Policy**

The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the Boards did endeavour to comply with the principles of The Better Payment Practice Code (<a href="http://www.payontime.co.uk/">http://www.payontime.co.uk/</a>) by processing suppliers invoices for payment without unnecessary delay and settling them in a timely manner.

	2018/19	2017/18
Average Credit Taken	17 days	13 days
Paid within 30 days by Value	94%	94%
Paid within 30 days by Volume	87%	90%
Paid within 10 days by Value	87%	88%
Paid within 10 days by volume	71%	79%

#### **Pension Liabilities**

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 19 and the Remuneration Report.

#### **Social Matters**

NHS Fife is committed to leading and promoting Equality and Diversity, equal opportunities and supporting human rights in terms of the provision of health services for the community it serves and in its practice as an exemplar employer.

NHS Fife is fully committed to the prevention of bribery and corruption to bribery and its adherence to the Bribery Act 2010 is set out within the Fraud Policy, Code of Conduct and a range of Board policies and procedures.

#### Sustainability and Environmental Reporting

The Climate Change (Scotland) Act 2009 set outs measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which Fife Health Board is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the <u>Climate Change Plan</u> <u>2018-2032</u>, while national reports can be found at the following resource:

#### https://sustainablescotlandnetwork.org/reports

NHS Fife, in common with other Boards, has a clear commitment to operating and developing sustainable practices. The Sustainability Group is chaired by the Director of Estates, Facilities and Capital Planning and meets at quarterly intervals assisting the Board's work in delivering its sustainability targets. Energy, water and waste sub-groups also meet regularly and report back to the Sustainability Group: the latter group monitors progress towards meeting revised energy reduction, carbon reduction and other targets.

In spring 2018 all 22 Scottish territorial & special boards underwent a benchmarking exercise by Green Business UK against the NHS Scotland Statement Set, which covers: Corporate Approach; Asset Management & Utilities; Travel & Logistics; Adaptation; Capital Projects; Green Space & Biodiversity; Sustainable Care Models; Our People; Sustainable Use of Resources; Carbon / GHG's. After a period of revision in late autumn, when all boards could address gueries raised by the initial assessment, final benchmark results were released in March 2019. NHS Fife achieved an overall rating of joint 8th and Bronze Award status. A web-based toolkit (pre-populated with the benchmarking results) will shortly be available to Boards and will generate a Sustainable Development Action Plan (SDAP) to allow them to address deficiencies for subsequent regular biennial reassessments.

Work on improving sustainability across these areas is central to the Board's performance monitoring framework and is assessed continuously, being reported on annually in various methods:

- directly to Scottish Government;
- mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) reporting;
- mandatory Climate Change Reporting (CCR) to Scottish Natural Heritage.

In 2016/17 and 2017/18 Internal Audit rated NHS Fife's CRCEES reporting and record-keeping as Arated, which is defined as demonstrating "an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives".

As in previous years energy-saving measures such as boiler upgrading/decentralisation and/or combined heat and power (CHP) installations and replacement of lighting with more energy efficient LED lamps etc. are being pursued wherever practicable.

Continued partnership working with other Boards and Fife Council is actively sought, whereby improvements to the general environment in which Fifer's live and work can result.

The Board has representation on the Fife Environmental Partnership Group, which meets quarterly. The Board participates in numerous sustainability campaigns throughout the year e.g. Earth Hour, NHS Sustainability Day, Bike Week, Liftshare Week, Cycle to Work etc. and promotes these via intranet news items, web pages and staff newsletters.

•	D . 00 . 00 . 0
Signature:	Date: 26 June 2019

Paul Hawkins Chief Executive and Accountable Officer NHS Fife

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#### **ACCOUNTABILITY REPORT**

#### **Corporate Governance Report**

## **Directors' Report**

#### **Date of Issue**

Financial statements were approved by the Board and authorised for issue by the Accountable Officer on 26 June 2019.

#### **Appointment of Auditors**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Brian Howarth, Assistant Director, Audit Scotland to undertake the audit of Fife Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

#### **Board Membership**

Under the terms of the Scottish Health Plan, the NHS Board is a Board of Governance whose membership will be conditioned by the functions of the Board. Members of the NHS Board are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

The NHS Board has collective responsibility for the performance of the local NHS system as a whole, and reflects a partnership approach, which is essential to improving health and health care. NHS Board members are also Trustees of the Fife Health Board Endowment Funds. The members of the NHS Board who served during the year from 1 April 2018 to 31 March 2019 were as follows:

#### **Non-Executive Members**

Mrs T Marwick Chairperson

Dr L Bisset Non-Executive Board Member, Vice Chairperson

Mr M Black Non-Executive Board Member

Ms S Braiden Non-Executive Board Member (since 01.08.18)

Mr E Clarke Non-Executive Board Member
Mrs C Cooper Non-Executive Board Member
Ms R Laing Non-Executive Board Member

Mr S Little Non-Executive Board Member (until 24.10.18)

Vacancy Non-Executive Board Member (since 25.10.18)

Mrs M Wells Non-Executive Board Member

Mrs W Brown Stakeholder Member, Employee Director (Co-Chair, Area Partnership Forum)

Ms J Owens Stakeholder Member (Chairperson, Area Clinical Forum)

Councillor D Graham Stakeholder Member (Fife Councillor)

#### **Executive Members**

Mr P Hawkins Chief Executive

Dr F Elliot Medical Director (until 28.02.19)
Dr C McKenna Medical Director (since 01.03.19)
Dr M Hannah Director of Public Health (until 02.09.18)
Ms D Milne Director of Public Health (since 03.09.18)

Mrs C Potter Director of Finance
Ms H Wright Nurse Director

#### Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers, which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2019 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The Health Board members are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Ministers. They are also responsible for safeguarding the assets of the Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

# **Board Members and Senior Managers' Interests**

Details of any interests of Board members, senior managers and other senior staff in contracts, or potential contractors, with the NHS Board, as required by IAS 24, are disclosed in Note 21.

A register of interests, which includes details of company directorships or other significant interests held by Board members that may conflict with their management responsibilities, is available by contacting the Corporate Services Department, Hayfield House, Hayfield Road, Kirkcaldy, KY2 5AH (fife-UHB.corporateservices@nhs.net). A copy is also provided online at the following link:

https://www.nhsfife.org/nhs/index.cfm?fuseaction=nhs.servicedisplay&p2sid=8332DD8E-DBBD-9FED-2C6CA7387EB82E35&themeid=E44C37C3-5056-8C6F-C003CD63C15D8FF0

#### Directors' third party indemnity provisions

Individual members of the NHS Board or the NHS Board as a group are covered by the NHS Board's Clinical Negligence and other Risks Indemnity Scheme (CNORIS) in respect of potential claims against them.

### Remuneration for non audit work

No non audit work has been carried out by Audit Scotland or the Endowment Funds auditors, Thomson Cooper, during 2018/19.

#### Value of Land

During the year the Board has had 100% of land revalued by the Valuation Office Agency, who have confirmed that the Board's Statement of Financial Position values do not significantly differ from market values.

# Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scotlish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year.

NHS Fife publishes the required information on the NHS Fife website at the following link:

https://www.nhsfife.org/nhs/index.cfm?fuseaction=nhs.pagedisplay&p2sid=F8C9DD4E-B3DC-576A-6A45ABAAFF2A59CF&themeid=3B984BF2-65BF-00F7-D42941481355468F

#### Personal data related incidents reported to the Information Commissioner

There were two personal data related incidents or data protection breaches reported to the Information Commissioner during the financial year ended 31 March 2019.

#### **Disclosure of Information to Auditors**

The Directors who have held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each Director has taken all the steps that they ought reasonably to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

# Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of Fife Health Board.

This designation carries with it responsibility for:

- the propriety and regularity of financial transactions under my control;
- for the economical, efficient and effective use of resources placed at the Board's disposal; and
- safeguarding the assets of the Board.

In preparing the Accounts I am required to comply with the requirements of the Government's Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable. I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers.

To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officer's letter to me of 12 May 2015.

#### **Governance Statement**

#### Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also I am responsible for safeguarding the public funds and assets assigned to the organisation. These financial statements consolidate the Fife Health Board Endowment Fund. This statement includes any relevant disclosure in respect of these Endowment Accounts

#### **Purpose of Internal Control**

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

#### **Governance Framework**

The Board has collective responsibility for health improvement, the promotion of integrated health and community planning through partnership working, involving the public in the design of healthcare services and staff governance.

Members of Health Boards, as detailed on page 12, are selected on the basis of their position, or the particular expertise, which enables them to contribute to the decision making process at a strategic level.

The Board meets every two months to progress its business and holds a Development Session in intervening months to discuss topical and strategic issues for NHS Fife. The Code of Corporate Governance, last revised in May 2019, identifies Committees and Sub-Committees that report to the Board to help it fulfil its duties.

These include the following governance Committees:

- Clinical Governance;
- Audit and Risk;
- Staff Governance: and
- Finance, Performance & Resources.

#### Clinical Governance Committee

#### Principal Function:

To provide the Board with the assurance that appropriate clinical governance mechanisms and structures are in place and effective throughout the whole of Fife Health Board's responsibilities, including health improvement activities.

#### Membership:

- Six Non-Executive or Stakeholder Members of the Board
- Chief Executive
- Medical Director
- Nurse Director
- Director of Public Health
- A Staff Side Representative of NHS Fife Area Partnership Forum;
- One Representative from Area Clinical Forum
- One Patient Representative

#### Chair:

Dr L Bisset, Non-Executive Board Member

#### Frequency of Meetings:

As necessary to fulfil its remit and not less than six times per year.

#### Audit and Risk Committee

#### Principal Function:

To provide the Board with the assurance that the activities of Fife Health Board are within the law and regulations governing the NHS in Scotland and that an effective system of internal control is maintained. The duties of the Audit and Risk Committee are in accordance with the Scottish Government Audit and Assurance Committee Handbook, dated March 2018, and associated Treasury guidance on assurance mapping.

#### Membership:

• Five Non-Executive or Stakeholder Members of the Board

#### Chair:

Mrs C Cooper, Non-Executive Board Member (until 31.10.18) Mr M Black, Non-Executive Board Member (since 01.11.18)

# Frequency of Meetings:

As necessary to fulfil its remit and not less than four times per year.

# Staff Governance Committee

#### Principal Function:

To support the development of a culture within the health system where the delivery of the highest standard possible of staff management is understood to be the responsibility of everyone working within the system, and is built upon partnership and collaboration, and within the direction provided by the Staff Governance Standard.

#### Membership:

- Four Non-Executive or Stakeholder Members of the Board
- Employee Director
- Chief Executive
- Nurse Director
- Staff Side Chairpersons of the Local Partnership Forums

#### Chair

Mr M Black, Non-Executive Board Member (until 31.10.18) Ms M Wells, Non-Executive Board Member (since 01.11.18)

# Frequency of Meetings:

As necessary to fulfil its remit but not less than four times a year.

#### Finance, Performance & Resources Committee

#### Principal Function:

To keep under review the financial position and performance against key non-financial targets of the Board and to ensure that suitable arrangements are in place to secure economy, efficiency and effectiveness in the use of all resources, and that the arrangements are working effectively.

#### Membership:

- Six Non-Executive or Stakeholder Members of the Board
- Chief Executive
- Director of Finance
- Medical Director
- Director of Public Health
- Nurse Director

#### Chair:

Ms R Laing, Non-Executive Board Member

#### Frequency of Meetings:

As necessary to fulfil its remit but not less than four times per year.

#### **Other Governance Arrangements**

The conduct and proceedings of the NHS Board are set out in its Standing Orders. These specify the matters which are solely reserved for the NHS Board to determine, the matters which are delegated under the scheme of delegation and the matters which are remitted to a Standing Committee of the NHS Board.

The Standing Orders also include the Code of Conduct that Board members must comply with, and, along with the Standing Financial Instructions, these documents are the focus of the NHS Board's Annual Review of Governance Arrangements. The annual review also covers the remits of the NHS Board's Standing Committees.

All committees of the Board are required to provide an Annual Statement of Assurance to the Audit & Risk Committee and Board, describing their membership, attendance, frequency of meetings, business addressed, outcomes, Best Value, risk management and to demonstrate they have fulfilled their roles and remit.

All NHS Board executive directors undertake a review of development needs as part of the annual performance management and development process. Access to external and national programmes in line with development plans and career objectives is also available.

During the year, Board and Board Committee members were each invited to complete a diagnostic self-assessment questionnaire, to identify common themes and areas for improved effectiveness at both Board and Committee-level. The outcome of the self-assessment process was presented to Board members at the April 2019 Development Session and, following discussion, an action plan approved at the May 2019 Board meeting. A summary of this year's self-assessment process, noting the largely positive evaluation of governance arrangements in place in NHS Fife, can be found at the link below:

https://www.nhsfife.org/nhs/index.cfm?fuseaction=publication.pop&pubid=21E9E46E-A871-A7F2-8EE9149CDCDEF4AE

Ongoing work to improve Board effectiveness builds on the proposals originally approved by the Board in April 2017, as updated in May 2018, in relation to the Chair's ongoing review of governance arrangements in NHS Fife. It also reflects the requirements of the new NHS Scotland Blueprint for Good Governance that is presently being rolled out across all Boards. In mapping the Board's arrangements for governance against the new national Blueprint, detailed consideration has been given as to whether the right systems are in place to provide appropriate levels of assurance and to identify areas where improvements can be made.

The Chief Executive is accountable to the NHS Board through the Chair of the Board. The Remuneration Sub-committee agrees the Chief Executive's annual objectives in line with the Board's strategic and corporate plans.

Non-executive directors have a supported orientation to the organisation as well as a series of development sessions. An enhanced induction programme has been put in place in the current year to support new members. This programme, developed by NHS Fife, has been recommended to all Boards across Scotland, as best practice. Opportunities for ongoing development also exist at a national level.

To ensure that the NHS Board complies with relevant legislation, regulations, guidance and policies, a distribution process is in place to ensure that all Circulars and communications received from the Scottish Government Health and Social Care Directorate (SGHSCD), internal policies and procedures, are directed to Senior Managers who are held responsible for implementation. A follow-up process to monitor compliance with regulations and procedures laid down by Scottish Ministers and the SGHSCD is in place.

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. The Board Committees ensure Best Value is achieved through the Committees having Best Value written into their Terms of Reference and the annual work-plans. Directors and Managers are encouraged to review, identify and improve the efficient and effective use of resources.

NHS Fife has a Whistleblowing policy in place. The Board is committed to achieving the highest possible standards of service and the highest possible ethical standards in public life in all of its practices. To achieve these ends, it encourages staff to use internal mechanisms for reporting any malpractice or illegal acts or omissions by its staff. The Board wishes to create a working environment which encourages staff to contribute their views on all aspects of patient care and patient services. All staff have a duty to protect the reputation of the service they work within. The Board does not tolerate any harassment or victimisation of staff using this policy, and treats this as a serious disciplinary offence, which will be dealt with under the Board's Management of Employee Conduct policy.

There is in place a well-established complaints system whereby members of the public can make a formal complaint to the Board regarding care or treatment provided by or through the NHS, or how services in their local area are organised if this has affected care or treatment. Information on our complaints procedures is available on the NHS Fife website.

The Board is committed to working in partnership with staff, other public sector organisations and the third sector. NHS Fife strives to consult all of its key stakeholders. We do this in a variety of ways. How we inform, engage and consult with patients and the public in transforming hospitals and services is an important part of how we plan for the future. To fulfil our responsibilities for public involvement, we routinely communicate with, and involve, the people and communities we serve, to inform them about our plans and performance.

An Integrated Performance Report (IPR) was presented at every Staff Governance Committee, Clinical Governance Committee, Finance, Performance & Resources Committee and Board meeting. This provides detailed monitoring information on a range of measures covering financial and clinical delivery. The IPR is presented to all Committees and the NHS Board considers at each meeting the most up-to-date information available in reference to the latest financial position. In addition, an Executive Summary is prepared for the NHS Board and incorporates all matters escalated by each Committee.

During 2018/19 the Board, as the Corporate Trustee for the Fife Health Board Endowment Funds, reviewed the overall governance for charitable funds, including the approach to the management and oversight of endowment funds, as well as the supporting business model.

# Integration Joint Board (IJB)

Members of NHS Fife Board have a role on the Integration Joint Board and its Committees and therefore maintain an input and responsibility for their respective professional remits at all times. This

is particularly relevant for the role of the Director of Health & Social Care as the Accountable Officer for the IJB and a direct report to the NHS Fife Chief Executive. The Chief Executive maintains responsibility for all aspects of governance relating to health services across Fife.

Minutes of the IJB are considered at the Clinical Governance Committee of the NHS Board and an annual assurance statement is also provided from the IJB's Clinical & Care Governance Committee to support the assurance process. The Integrated Performance Report encompasses all aspects of delegated services.

The approach adopted for health and social care within Fife is the 'fully delegated' model, with the IJB responsible for governance and assurance of all operational activities for its delegated functions. During 2018/19 the NHS Board and supporting governance committees have maintained an overarching assurance role in relation to both clinical and financial governance, and therefore oversight of the adequacy and effectiveness of controls for delegated functions. The operational and governance framework of the IJB will continue to be reviewed during 2019/20 to ensure clarity and consistency of approach. This will take account of the proposals set out in the Ministerial Strategic Group Review of Progress with Integration of Health & Social Care, published in February 2019.

#### **Review of Adequacy and Effectiveness**

As Accountable Officer, I am responsible for reviewing the adequacy and effectiveness of the system of internal control. My review is informed by:

- Discussions with executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Letters of Assurance from each Director;
- Reports from other inspection bodies:
- The work of the internal auditors, who submit to the Audit and Risk Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement;
- Comments by the external auditors in their management letters and other reports;
- The completion of self-assessment questionnaires considering the Board's own performance and that of its Committees;
- The range of topics covered at Board Development sessions, to develop the knowledge and awareness of both Executive and Non-Executives Board members;
- The Board's agreed approach to Risk Management is established within the Governance Committees:
- The work of the other assurance Committees and groups supporting the Board: Staff Governance Committee, Finance, Performance and Resources Committee, and the Clinical Governance Committee (which also embraces Information Governance);
- In line with National PIN Guidance, NHS Fife has a policy on Whistleblowing; and
- NHS Fife is committed to communicating and consulting with all Stakeholders and the general public.

#### **Data Quality**

The Board receives numerous reports which include detailed information covering financial, clinical and staffing information. In general these reports are considered by the Executive Directors Group and at a Governance Committee prior to being discussed at the Board. This allows for detailed consideration of the content, completeness and clarity of the information being provided to the Board.

Assurance on the information included in reports also comes from the overall approach to the management of information (through the Information Governance Group) and validation processes and assurances on the quality of information provided from internal audit and other scrutiny bodies.

#### **Risk Management**

The Chief Executive of the NHS Board as Accountable Officer, whilst personally answerable to the Parliament, is ultimately also accountable to the Board for the effective management of risk.

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NHS Scotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

All of the key areas within the organisation maintain a risk register. All risk registers are held on Datix (Risk Management Information System). Training and support for all Datix Modules are provided by the Risk Management team either through formal training sessions or customised training e.g. for individuals, specialities and teams.

For the period 2018-19, the high level risks that the Board needs to ensure are being managed have been reported bi-monthly as linked operational risks to the Governance Committees as part of the Board Assurance Framework (BAF). The BAF has largely superseded the Corporate Risk Register as the key document subject to scrutiny at Committee and Board level. However, the processes relating to the Corporate Risk Register are under review and will be clarified in September 2019 as part of the update of the Risk Management Framework. The Code of Corporate Governance will be updated as necessary thereafter to reflect the revised arrangements pertaining to the Corporate Risk Register.

The BAF currently contains six high level risks that could impact on the delivery of NHS Fife's strategic objectives. These are Financial Sustainability; Workforce Sustainability; Environmental Sustainability; Quality & Safety; Strategic Planning; and Integration Joint Board (IJB). Where they exist, related operational risks with a high risk rating of 15 or above are identified.

Due to its dynamic nature, the BAF has evolved in accordance with developments in the respective risks, including present controls, mitigating actions and current performance, as well as changes to the relevant linked operational risks. For example, when the current risk level of a linked operational risk reduces from high to moderate or low, it is not required to be reported within the BAF. The converse applies: where a risk is identified as increasing to high, it is considered for inclusion in the BAF.

Executive Directors with responsibility for specific BAF risks undertake a review, update and report on these on a bi-monthly basis to the Governance Committee to which the risk is aligned. Each BAF is supported by a complementary narrative report providing an assessment of the risk, and highlighting key issues and questions for the Committee to consider as part of its scrutiny function. Following consideration by the Committees, the BAF is reported to the Audit & Risk Committee and the Board.

A key development in the period has been the production of a BAF for eHealth - Delivering Digital and Information Governance & Security. This will be reviewed and approved by the NHS Fife Clinical Governance Committee in July 2019.

The Audit & Risk Committee is responsible for ensuring that there is an overall Risk Management framework in place. During 2018/19, risk management reports were provided to the Audit & Risk Committee by the Director of Nursing, as Lead Executive for Risk. These provided updates on the risk management workplan, including the implementation of the overall risk management framework. A statement of risk appetite is also to be agreed. This work commenced in 2018 and will conclude in 2019.

#### **Disclosures**

Disclosures are required where there are any significant control weaknesses or issues which may have impacted financially or otherwise in the year or thereafter.

The following are highlighted:

 For 2018/19, 4471 individuals have exceeded the Treatment Time Guarantee to have their treatment provided within 12 weeks. A letter of apology was sent to each patient and every effort was made to treat patients in as short a time as possible. The Waiting Times Improvement Plan for 2019/20 is being developed and progress will be monitored through the revised Performance and Accountability Review framework. • An unannounced Older People in Acute Hospital (OPAH) inspection was conducted at Victoria Hospital in September 2018. The inspection reported on areas where NHS Fife were performing well and areas for improvement, identifying five areas of good practice and seven areas for improvement. During the visit the Board were commended on a number of issues, with positive feedback received about patient care. It was however noted that not all assessments were completed within the required standard time frames, and there was a lack of care planning to inform how patients' identified care needs will be met. An action plan was prepared in response to the areas for improvement identified by the inspection, with all actions completed, and further improvement work ongoing as a result. The published report can be accessed by the link below

http://www.healthcareimprovementscotland.org/our\_work/inspecting\_and\_regulating\_care/opah\_fife/victoria hospital nov 18.aspx

 There were two personal data related incidents or data protection breaches reported to the Information Commissioner during the financial year ended 31 March 2019. Neither resulted in any patient harm or financial penalties being imposed.

During the 2018/19 financial year, no other significant control weaknesses or issues have arisen, in the expected standards for good governance, risk management and control.

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# Remuneration and Staff Report

#### Board Members' and Senior Employees Remuneration

The Board's Remuneration Committee is a sub-committee of the Staff Governance Committee. This Committee meets as necessary, with a minimum of three meetings per year. It considers and agrees performance objectives and performance appraisals for staff in the Executive Cohort and oversees implementation of performance management arrangements for other senior managers.

The membership comprises the Board Chairperson, two Non-Executive Board members and the Employee Director. The Director of Workforce attends the Committee in a professional advisory capacity, as does the Board Chief Executive. (Both leave for matters relating to their own performance and remuneration).

Board Members and senior managers are remunerated in accordance with approved national pay rates. All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the Scottish Government Health and Social Care Directorate (SGHSCD) has been appropriately applied and agreed by the Remuneration Committee.

Details in the remuneration report have been audited with the exception of Staff Composition, Sickness Absence data and Staff Policies applied during the year sections which have been checked for consistency with the rest of the financial statements.

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# FIFE HEALTH BOARD REMUNERATION REPORT

	Gross Salary £5,0			t in Kind 000		n Year (Bands of 000)	Pension Ben	nefits (£'000)	Total Remuneration (Bands of £5,000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Executive Members										
Mr P Hawkins, Chief Executive	140 – 145	135 – 140			140 – 145	135 – 140	11	6	150 - 155	140 -145
Mrs C Potter, Director of Finance	90 - 95	85 – 90			90 - 95	85 – 90	37	30	125 – 130	115 - 120
Dr F Elliot, Medical Director (to 28 <sup>th</sup> February 2019) <sup>1</sup>	145 – 150	160 – 165			145 - 150	160 – 165			145 - 150	160 – 165
Ms H Wright, Director of Nursing	95 - 100	80 – 85	2.1	3.1	95 - 100	80 – 85	101	19	200 – 205	100 – 105
Dr M Hannah, Director of Public Health, (to 2 <sup>nd</sup> September 2018) <sup>1,2</sup>	55 - 60	130 – 135			55 - 60	130 – 135	0	0	55 – 60	130 - 135
Ms Dona Milne, Director of Public Health (from 3 <sup>rd</sup> September 2018) <sup>1</sup>	50 – 55				50 – 55		12		60 - 65	
Dr C McKenna, Medical Director (from 1st March 2019) 1	10 – 15				10 – 15		45		55 – 60	
Non Executive Members										
Ms T Marwick, Chairperson	30 - 35	30 – 35			30 - 35	30 – 35			30 - 35	30 – 35
Dr L Bisset, Vice Chairperson	15 - 20	15 – 20			15 - 20	15 - 20			15 – 20	15 – 20
Ms M Adams (to 31st December 2017)1		5 – 10				5 – 10				5 – 10
Mr M Black	5 – 10	5 – 10			5 – 10	5 – 10			5 - 10	5 – 10
Mrs C Cooper	5 – 10	5 – 10			5 – 10	5 – 10			5 - 10	5 – 10
Ms R Laing	5 – 10	5 - 10			5 – 10	5 – 10			5 - 10	5 – 10
Mr S Little (to 24th October 2018) 1	5 – 10	15 – 20			5 – 10	15 – 20			5 – 10	15 – 20
Mr J Paterson (to 9 <sup>th</sup> January 2018) <sup>1</sup>		5 – 10				5 – 10				5 – 10
Ms A Rooney (to 31 <sup>st</sup> July 2017) 1		0-5			5 40	0 – 5				0 - 5
Mr E Clarke (From 1st August 2017) 1	5 – 10	5 – 10			5 – 10	5 – 10			5 – 10	5 - 10
Mrs M Wells (from 1st August 2017) 1	5 – 10	5 – 10			5 – 10	5 - 10			5 – 10	5 – 10
Ms S Braiden (from 1st August 2018) 1	5 – 10				5 – 10				5 – 10	

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	Gross Salar £5,0		Benefit £'0			in Year (Bands of ,000)	Pension Benefits (£'000)		Total Remuner	•
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Stakeholders										
Mrs W Brown, Employee Director <sup>3</sup>	55 - 60	50 – 55			55 - 60	50 – 55	60	35	115 – 120	85 - 90
Cllr A Rodger (to 30 April 2017) 1,5		5 – 10				5 – 10				5 – 10
Ms J Owens, Chairperson Area Clinical Forum (from 1st October 2016) <sup>3</sup>	80 - 85	75 – 80	3.6	2.9	80 – 85	75 - 80	31	18	115 – 120	95 - 100
Cllr D Graham (from 15th June 2017) 1	5 – 10	5 - 10			5 – 10	5 - 10			5 – 10	5 – 10
Other Senior Employees										
Mrs J Gardner, Chief Operating Officer (Acute Services Division) (from 1st April 2018 to 24th January 2019) 6	75 - 80				75 – 80		20		95 - 100	
Ms BA Nelson, Director of Workforce (from 1st January 2018) <sup>6</sup>	85 – 90	20 - 25			85 – 90	20 - 25	31		120 - 125	20 - 25
Mrs E Ryabov, Chief Operating Officer Acute Services Division (from 28 <sup>th</sup> January 2019) 1,6	20 - 25				20 - 25		4		25 – 30	
Prof S McLean, Chief Operating Officer (Acute Services Division) (until 30 <sup>th</sup> June 2018) <sup>6</sup>		Consent not available								
Mr A Fairgrieve, Director of Estates, Facilities & Capital Services <sup>6</sup>	95 - 100	90 - 95			95 - 100	90 - 95	25	11	115 -120	100 - 105

#### **Notes to Remuneration Report**

- 1. The full year equivalent total earnings calculations in bands of £5,000 are as follows:
  - 2017-18 Mrs M Adams, Non-Exec Director (5-10); MR J Paterson, Non-Exec Director (5-10); Ms A Rooney, Non-Exec Director (5-10); Mr E Clarke, Non-Exec Director (5-10); Mrs M Wells, Non-Exec Director (5-10); Cllr A Rodger (5-10); Cllr D Graham (5-10).
  - 2018-19 Dr F Elliot, Medical Director (160-165); Dr M Hannah, Director of Public Health (135-140), Ms D Milne, Director of Public Health, (85-90); Dr C McKenna, Medical Director (145-150); Mr S Little, Non-Exec Director (15-20); Ms S Braiden, Non-Exec Director (5-10); Mrs J Gardner, Chief Operating Officer (Acute Services) (90-95), MRs E Ryabov, Chief Operating Officer (Acute Services) (105-110).
- 2. In accordance with guidance issued in Employer Pension Notice (EPN) 380 pension benefit calculations leading to a negative value have been expressed as zero in the remuneration report.
- 3. Includes non Board remuneration of £70k £75k for Ms J Owens and £45k £50k for Mrs W Brown.
- 4. There were no Bonus payments (Bands of £5,000).
- 5. Cllr A Rodger received a back-dated payment in 2017-18 of £5 £10k and this is included in the table above.

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- 6. Other Senior Employees (non-Board members of the Executive Directors Group) of NHS Fife have been disclosed for the first time in 2018-19. For those individuals in post in 2017-18 comparative year information has also been provided.
- 7. Mr M Kellet is Chief Officer for the Fife Integration Joint Board; his salary and pension information is disclosed in the remuneration report of the IJB accounts. In this role, he is also classified as an 'Other Senior Employee' of NHS Fife. Mr Kellet is employed by NHS Fife with 50% of the costs being charged to Fife Council. NHS Fife is responsible for his pension liabilities.

	Total accrued pension and lump sum at		Real increase in	pension and				
	pension age at 31 March (bands of		related lump sum	ated lump sum at pension age		Cash Equivalent Transfer Value		
	£5,0	000)	(Bands of	£2,500)	(CETV) at 31	March (£'000)	Real Increase in	n CETV (£'000)
	2019	2018	2019	2018	2019	2018	2019	2018
Executive Members						<u> </u>		
Mr P Hawkins, Chief Executive	50 – 55 plus lump sum of 155 - 160	50 – 55 plus lump sum of 150 – 155	0.0 – 2.5 plus lump sum 2.5 – 5.0	0.0 – 2.5 plus lump sum of 2.5 – 5.0	1,138	1,009	34	28
Mrs C Potter, Director of Finance	30 -35 plus lump sum of 70 - 75	25 – 30 plus lump sum of 65 - 70	0.0 – 2.5 plus lump sum 0.0 – 2.5	0.0 – 2.5 plus lump sum of 0.0 – 2.5	539	441	43	38
Ms H Wright (previously Paterson), Director of Nursing (from 06 July 2015)	35 – 40 plus lump sum of 105 - 110	30 – 35 plus lump sum of 90 - 95	2.5 – 5.0 plus lump sum of 12.5 – 15.0	0.0 – 2.5 plus lump sum of 2.5 – 5.0	765	599	106	29
Dr M Hannah, Director of Public Health, (to 2 <sup>nd</sup> September 2018)	50 - 55	35 – 40 plus lump sum of 115 – 120		0.0 -2.5 plus lump sum of 2.5 – 5.0	827	842	6	21
Ms D Milne, Director of Public Health (from 3 <sup>rd</sup> September 2018)	0 – 5		0 – 2.5		11		11	
Dr C McKenna, Medical Director (from 1 <sup>st</sup> March 2019)	5 – 10		2.5 – 5.0		83		29	
Stakeholders								
Mrs W Brown, Employee Director	15 – 20 plus lump sum of 30 – 35	10 – 15 plus lump sum of 25 - 30	2.5 – 5.0 plus lump sum of 5.0 – 7.5	0.0 – 2.5 plus lump sum of 2.5 – 5.0	289	218	58	35
Ms J Owens, Chairperson Area Clinical Forum	5 – 10 plus lump sum of 5 - 10	5 – 10 plus lump sum of 5 - 10	0 – 2.5 plus lump sum of 0 – 2.5	0 – 2.5	166	108	36	22
Other Senior Employees								
Mrs J Gardner, Chief Operating Officer (Acute Services Division) (from 1 <sup>st</sup> April 18 to 24 <sup>th</sup> January 2019)	5 - 10		0 – 2.5		64		19	
Ms BA Nelson, Director of Workforce (from 1st January 2018)	40 - 45 plus lump sum of 130 - 135	40 – 45 plus lump sum 120 - 125	0 – 2.5 plus lump sum of 5 – 7.5		997	878	53	19
Mrs E Ryabov, Chief Operating Officer (Acute Services Division) (from 28th January 2019)	0 - 5		0 – 2.5		5		5	

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Prof S McLean, Chief Operating Officer (Acute Services Division) (until 30th June 2018)				Consent not	available			
Mr A Fairgrieve, Director of Estates, Facilities & Capital Services	10 - 15	10- 15	0 – 2.5	0 – 2.5	233	190	32	23

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# Fair Pay Disclosure

The table below compares the banded remuneration of the highest paid Director against the median salary for the workforce in each year. The remuneration figures used for this calculation represent the annualised whole time equivalent salary figures.

2018-19		2017-18	
Range of Staff Remuneration (£'000s)	1 - 230	Range of Staff Remuneration (£'000)	1 - 243
Highest Earning Director's Total Earnings (£000s)	160 - 165	Highest Earning Director's Total Earnings (£000s)	160 - 165
Median Total Remuneration		Median Total	
(£)	26,940	Remuneration (£)	26,276
Ratio	6.03:1	Ratio	6.18:1

# Commentary

The pay award and incremental progression have led to a 2.5% increase in the Median Total Remuneration figure. The positive impact of these events has led to a reduction in the ratio from the 2017-18 level.

# Staff Report

# **Higher Paid Employees' Remuneration**

. ,	2019	2018
	Number	Number
Clinicians		
£ 70,001 to £80,000	34	41
£ 80,001 to £90,000	41	39
£ 90,001 to £100,000	39	41
£100,001 to £110,000	28	34
£110,001 to £120,000	38	37
£120,001 to £130,000	27	20
£130,001 to £140,000	17	26
£140,001 to £150,000	21	8
£150,001 to £160,000	13	11
£160,001 to £170,000	12	7
£170,001 to £180,000	6	5
£180,001 to £190,000	1	2
£190,001 to £200,000	0	1
£200,001 and above	4	3
Other		
£ 70,001 to £ 80,000	9	7
£ 80,001 to £ 90,000	5	5
£ 90,001 to £100,000	3	2
£100,001 to £110,000	1	2
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	0	0
£140,001 to £150,000	1	1
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0

£170,001	to	£180,000	0	0
£180,001	to	£190,000	0	0
£190,001	to	£200,000	0	0
£200.001	and	above	0	0

#### Staff Numbers and Costs

Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2019 TOTAL	2018 TOTAL
£000	£000	£000	£000	£000	£000	£000	£000

#### **STAFF COSTS**

Salaries and wages Social security costs NHS scheme employers' costs Inward secondees Agency and other directly engaged staff

626	116	267,764			(475)	268,031	259,528
85	3	27,078			(69)	27,097	26,879
69		35,065			(71)	35,063	34,722
			830			830	306
				10,399		10,399	8,469
780	119	329,907	830	10,399	(615)	341,420	329,904

#### STAFF NUMBERS

Total

Who equi

7 to 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1								
hole time								
uivalent (WTE)	5	11	7,594	10	72	(9)	7,683	7,707

Included in the total staff numbers above were disabled staff of:

|--|

# Staff Composition

**Executive Directors** Non-Executive Directors and **Employee Director** Senior Employees Other **Total Headcount** 

	2019		2018			
Male	Female	Total	Male	Female	Total	
2	3	5	1	4	5	
4	7	11	5	6	11	
161	134	295	157	129	286	
1,330	8,184	9,514	1,431	8,206	9,637	
1,497	8,328	9,825	1,594	8,345	9,939	

#### Sickness Absence Data

	2019	2018
Sickness Absence Rate	5.4%	5.6%

Staff policies were applied during the financial year relating to the employment of disabled persons

A key responsibility of the Board is staff governance. To ensure it meets its obligations, NHS Fife produces in partnership with the trades unions and staff professional associations, an annual Fife Wide Staff Governance Action Plan. This is framed around the five strands of the staff governance standard: Well-Informed; Appropriately Trained; Involved in decisions which affect them; Treated Fairly and Consistently; and Provided with an Improved and Safe Working Environment.

The plan is agreed and monitored by the Area Partnership Forum which also oversees the production of local staff governance action plans by the Local Partnership Forums hosted within the Acute Services Division and the three Health & Social Care Partnership Divisions.

The Board ensures engagement with staff through various routes including open sessions with the Director of Workforce and the Employee Director, staff magazine, website, intranet, e-mail, facebook, twitter and specific briefings by members of the Executive Directors Group. It consults staff and/or their representatives so their views are taken into account in decisions affecting their interests through the Area Partnership Forum and the Local Partnership Forums along with specific working groups which routinely include staff representatives within the membership.

As an equal opportunities employer, the Health Board welcomes applications for employment from disabled persons. Recruitment and retention processes ensures specialist medical advice is available relating to the adjustments to work routines or the working environment which ensures disabled persons can contribute to the work of the Board. Similarly, a range of policies are available to employees who become disabled to support them in their current role, or alternatively to identify suitable alternative employment for them, to ensure they continue to make a positive contribution to the Board.

NHS Fife was Awarded Disability Confident Employer status in 2016, the Health Board demonstrates our commitment to maximising the talents and insights disabled people can bring to our workforce though the application of our robust employment policies and practices.

NHS Fife continues to work with partner organisations, such as the Glasgow Centre for Inclusive Living, to provide employment opportunities for disabled people, providing them with challenging and rewarding experience of employment to set them up for a sustainable career. We are committed to continuing this work within our 2018-21 Equality Outcomes.

# Exit packages

	2019				
Exit package cost band	Number of compulsory redundancies  Number of other of exit packages b agreed cost band				
£50,000 - £100,000	0	1	1		

There were no exit packages agreed in the prior year.

# Trade Union (Facility Time Publication Requirements) Regulation 2018

The Trade Union (Facility Time Publication Requirements) Regulations 2018 came into force on 1 April 2018. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. We intend to publish this data at the following link: <a href="https://www.nhsfife.org/tradeunionregs">www.nhsfife.org/tradeunionregs</a>.

# **Relevant Union Officials**

Union officials during the period 1 April 2018	Full-time equivalent employee number
59	49

# Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	33
1 – 50%	25
51 – 99%	1
100%	0

# Percentage of pay bill spent on facility time

Total cost of facility time	£75,146
Total pay bill	£318,846,082
Percentage of the total pay bill spent on facility time	0.02%

# Paid trade union activities

ime spent on paid trade union activities as a percentage of total paid facility time hours	79%

33/107 266/403

# **Parliamentary Accountability Report**

#### Losses and Special Payments

On occasion, the Board is required to write off balances which are no longer recoverable. Losses and special payments require formal approval to regularise such transactions and their notation in the annual accounts.

The write-off of the following losses and special payments has been approved by the Board:

Losses

2019		2018		
Number of cases	£'000	Number of cases	£'000	
868	2,454	962	3,742	

In the year to 31 March 2019, the following balances in excess of £250,000 were written off:

Reference	Description	2019
CNORIS	Total claims paid under the CNORIS scheme	2,247

In 2018-19, the Board was required to pay out £1.635m in respect of 3 claims individually greater than £250,000 settled under the CNORIS scheme (2017-18: £2.760m for 2 claims). Further details on the scheme can be found in Note 1 (accounting policies) of the annual accounts.

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in Note 13.

#### Fees and Charges

As required in the fees and charges guidance in the Scottish Public Finance Manual, Fife Health Board charges for services provided on a full cost basis, wherever applicable.

#### Remote Contingent Liabilities

Contingent liabilities that meet the disclosure requirements in the IAS37 Provisions and Contingent Liabilities are included in note 14 of the Notes to the Accounts. In addition, due to the nature of activities of Fife Health Board there are contingent liabilities for which IAS37 does not require disclosure because the probability of any requirement on the Board to meet future liabilities is considered to be remote.

#### Long-term Expenditure Trends

Fife Health Board receives funding from the Scottish Government to meet expenditure plans. Funding received from the Scottish Government over the five years to 31 March 2019 was:

	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000
Resource Funding	707,071	685,102	665,945	637,451	620,130
Capital Funding	7,985	5,504	10,218	12,552	13,458
Total Funding	715,056	690,606	676,163	650,003	633,588

Signature: ...... Date: 26 June 2019

Paul Hawkins Chief Executive and Accountable Officer NHS Fife

# Independent auditor's report to the members of NHS Fife, the Auditor General for Scotland and the Scottish Parliament

# Report on the audit of the financial statements

# **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of NHS Fife and its group for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position , the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

# **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is five years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that
  may cast significant doubt about its ability to continue to adopt the going concern basis of
  accounting for a period of at least twelve months from the date when the financial statements are
  authorised for issue.

#### Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

#### Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

# Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: <a href="www.frc.org.uk/auditorsresponsibilities">www.frc.org.uk/auditorsresponsibilities</a>. This description forms part of my auditor's report.

#### Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

# Report on regularity of expenditure and income

#### Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

#### Report on other requirements

# Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

# Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

# Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

# Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice. I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA **Audit Director Audit Scotland** 4th Floor, South Suite The Athenaeum Building 8 Nelson Mandela Place Glasgow G2 1BT

June 2019

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# NHS FIFE CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019

2018			2019
£000		Note	£000
		3a	
329,904	Staff costs		342,035
	Other operating expenditure	3b	
91,032	Independent Primary Care Services		96,109
129,952	Drugs and medical supplies		128,520
658,804	Other health care expenditure		669,073
1,209,692	Gross expenditure for the year		1,235,737
		_	
(448,703)	Less: operating income	4	(467,290)
760,989	Net expenditure for the year		768,447
	OTHER COMPREHENSIVE NET EXPENDITURE		
2018			2019
£000			£000
8,389	Net (gain) / loss on revaluation of property, plant and equipment		4,050
245	Net (gain) / loss on revaluation of available for sales financial assets		(579)
0.004	Other community and its own and them.		2.474
8,634	Other comprehensive expenditure		3,471
769,623	Comprehensive net expenditure		771,918

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

Comparative information in respect of 2017-18 has not been restated.

# NHS FIFE SUMMARY OF RESOURCE OUTTURN FOR THE YEAR ENDED 31 MARCH 2019

		2019	2019
SUMMARY OF CORE REVENUE RESOURCE OUTTURN	Note	£000	£000
	SoCNE		
Net expenditure	SOUNE		768,447
Total non core expenditure (see below)			(23,237)
Family Health Services non-discretionary allocation			(38,803)
Donated assets income	2a		235
Endowment net expenditure			169
Total core expenditure			706,811
Core Revenue Resource Limit			707,071
Saving/(excess) against Core Revenue Resource Limit			260
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation / amortisation		12,267	
Annually Managed Expenditure - impairments		1,024	
Annually Managed Expenditure - creation of provisions		(1,331)	
Annually Managed Expenditure - depreciation of donated assets	2a	101	
Additional Scottish Government non-core funding		3,200	
IFRS PFI expenditure		7,976	
Total Non Core Expenditure			23,237
Non Core Revenue Resource Limit			23,237
Saving / (excess) against Non Core Revenue Resource Limit			0

SUMMARY RESOURCE OUTTURN	Resource	Expenditure	Saving / (Excess)	
	£000	£000	£000	
Core	707,071	706,811	260	
Non Core	23,237	23,237	0	
Total	730,308	730,048	260	

# NHS FIFE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000	Non-current assets	Note	£000	£000
478,216	478,101	Property, plant and equipment	7c	472,233	472,116
321	321	Intangible assets	6a	486	486
		Financial assets:			
12,087	0	Investments	10	12,423	0
70,073	70,073	Trade and other receivables	9	55,633	55,633
560,697	548,495	Total non-current assets		540,775	528,235
		Current Assets:			
4,660	4,660	Inventories	8	5,327	5,327
		Financial assets:			
18,083	18,102	Trade and other receivables	9	40,207	39,724
877	542	Cash and cash equivalents	11	775	512
2,383	2,383	Assets classified as held for sale	7b	2,198	2,198
26,003	25,687	Total current assets		48,507	47,761
586,700	574,182	Total assets		589,282	575,996
		Current liabilities			
(11,044)	(11,044)	Provisions	13a	(34,462)	(34,462)
		Financial liabilities:			
(73,409)	(73,389)	Trade and other payables	12	(76,868)	(76,830)
(84,453)	(84,433)	Total current liabilities		(111,330)	(111,292)
502,247	489,749	Non-current assets plus / less net current assets / liabilities Non-current liabilities		477,952	464,704
(114,618)	(114,618)	Provisions	13a	(97,450)	(97,450)
		Financial liabilities:			
(171,545)	(171,545)	Trade and other payables	12	(168,591)	(168,591)
(286,163)	(286,163)	Total non-current liabilities		(266,041)	(266,041)
216,084	203,586	Assets less liabilities		211,911	198,663
		Taxpayers' Equity			
74,315	74,315	General fund	SoCTE	69,084	69,084
129,271	129,271	Revaluation reserve	SoCTE	129,579	129,579
12,498	0	Fund held on Trust	SoCTE	13,248	0
216,084	203,586	Total taxpayers' equity		211,911	198,663

The annual report and accounts were approved by the Board on 26 June 2019 and signed on their behalf by:	
D	Director of Finance
	Chief Executive

# NHS FIFE CONSOLIDATED STATEMENT OF CASHFLOWS AS AT 31 MARCH 2019

2018			2019	2019
£000		Note	£000	£000
	Cash flows from operating activities			
(760,989)	Net expenditure	SoCTE	(768,447)	
26,841	Adjustments for non-cash transactions	2a	17,993	
14,295	Add back: interest payable recognised in net operating expenditure	2b	13,993	
(463)	Investment income		(478)	
17,215	Movements in working capital	2c	1,185	
(703,101)	Net cash outflow from operating activities	23c		(735,754)
	Cash flows from investing activities			
(7,848)	Purchase of property, plant and equipment		(8,202)	
(94)	Purchase of intangible assets		(277)	
(1,141)	Investment additions	10	(256)	
2,440	Proceeds of disposal of property, plant and equipment		498	
962	Receipts from sale of investments		500	
463	Investment Income		478	
(5,218)	Net cash outflow from investing activities	23c		(7,259)
	Cash flows from financing activities			
725,254	Funding	SoCTE	759,685	
318	Movement in general fund working capital	SoCTE	(30)	
725,572	Cash drawn down		759,655	
(2,563)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	2c	(2,751)	
35	Interest paid		149	
(14,330)	Interest element of finance leases and on-balance sheet PFI / PPP contracts	2b	(14,142)	
708,714	Net Financing	23c		742,911
395	Net Increase / (decrease) in cash and cash equivalents in the period			(102)
482	Cash and cash equivalents at the beginning of the period			877
877	Cash and cash equivalents at the end of the period			775
	Reconciliation of net cash flow to movement in net debt/cash			
395	Increase / (decrease) in cash in year	11		(102)
482	Net debt / cash at 1 April			877
877	Net debt / cash at 31 March			775

# NHS FIFE CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2019

		General Fund	Revaluation Reserve	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000
Balance at 31 March 2018		74,315	129,271	12,498	216,084
Changes in taxpayers' equity for 2018-19					
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a		4,048	2	4,050
Net gain / (loss) on revaluation of investments	10			579	579
Impairment of property, plant and equipment			(1,024)		(1,024)
Revaluation and impairments taken to operating costs	2a		1,024		1,024
Transfers between reserves		3,740	(3,740)		0
Other non cash costs – Movement in Prescribing Accrual/ Assets		(40)			(40)
Net operating cost for the year	CFS	(768,616)		169	(768,447)
Total recognised income and expense for 2018-19		(764,916)	308	750	(763,858)
Funding:					
Drawn down	CFS	759,655			759,655
Movement in General Fund (creditor) / debtor	CFS	30			30
Balance at 31 March 2019	SoFP	69,084	129,579	13,248	211,911

# NHS FIFE CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYER'S EQUITY (PRIOR YEAR)

		General Fund	Revaluation Reserve	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000
Balance at 31 March 2017		103,924	144,051	12,444	260,419
Changes in taxpayers' equity for 2017-18					
Net gain / (loss) on revaluation / indexation of property, plant and equipment	7a		(8,389)	3	(8,386)
Net gain / (loss) on revaluation of investments	10		0	(245)	(245)
Impairment of property, plant and equipment			(8,564)		(8,564)
Revaluation and impairments taken to operating costs	2a		8,564		8,564
Transfers between reserves		6,391	(6,391)		0
Other non cash costs - Movement in Prescribing Accrual/ Assets		31			31
Net operating cost for the year	CFS	(761,285)		296	(760,989)
Total recognised income and expense for 2017-18		(754,863)	(14,780)	54	(769,589)
Funding:					
Drawn down	CFS	725,572			725,572
Movement in General Fund (creditor) / debtor	CFS	(318)			(318)
Balance at 31 March 2018	SoFP	74,315	129,271	12,498	216,084

#### FIFE HEALTH BOARD

#### **ACCOUNTING POLICIES**

#### Note 1

#### **Authority**

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounting policies applied are those of the group and include the Endowment Fund and Fife IJB. Where a policy has a direct relevance to the Endowment Fund or Fife IJB appropriate reference has been made within the policy.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 30 below.

Note: Where a new international accounting standard / amendment / interpretation has been issued but not yet implemented, Boards are required to disclose in their financial statements the nature of the standard, and if possible, an estimate of its likely effect on future financial statements.

(a) Standards, amendments and interpretations effective in 2018-19

The following accounting standards have been applied for the first time in 2018-19:

- IFRS 9 Financial Instruments
  - The Standard replaces IAS 39 and introduces a single approach to classification and measurement of financial instruments; a new forward-looking expected loss impairment model; and a revised approach to hedge accounting.
- IFRS 15 Revenue from Contracts with Customers
   The Standard introduces greater disclosures requirements, as well as a new five stage model for assessing and recognising revenue from contracts with customers.

Both standards have been applied retrospectively and without restatement of prior year figures.

(b) Standards, amendments and interpretation adopted early in 2018-19

There are no new standards, amendments or interpretations adopted early in 2018-19.

(c) Disclosure of new accounting standards not yet adopted

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure of information on the expected impact of new accounting standards that have been issued but not yet in effect. The following standard has been issued but is not yet effective.

#### IFRS 16 - Leases

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after 1 January 2019. This means that for NHS Fife, the standard will be effective for the year ending 31 March 2020.

IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector, and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

#### **Basis of Consolidation**

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Fife Health Board Endowment Fund.

NHS Endowment Funds were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Fife Health Board Endowment Fund is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated legislation impacts on Health Board disclosure requirements in the 2018-19 annual accounts.

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of Integration Joint Boards using the equity method of accounting.

Note 23 to the Annual Accounts, details how the consolidated Financial Statements have been calculated.

# **Going Concern**

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

#### **Accounting Convention**

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities at fair value.

#### **Funding**

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

All other income receivable by the board that is not classed as funding is recognised in the year in which it is receivable.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Non discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

Funding for the acquisition of capital assets received from the Scottish Government is credited to the general fund when cash is drawn down.

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net Expenditure except where it results in the creation of a non-current asset such as property, plant and equipment.

#### Property, plant and equipment

The treatment of capital assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

Title to properties included in the accounts is held by Scottish Ministers.

#### Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, the Board; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- In cases where a new hospital would face an exceptional write off of items of equipment costing
  individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs
  with a standard life of 10 years.
- Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

# Measurement

#### **Valuation**

All Board property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

With IFRS 10 being applied the financial statements include the consolidation of Fife Health Board Endowment Fund. The Fund has an Art Collection included in the Consolidated Statement of Financial Position valued at current insurance values. The Art Collection does not meet Heritage Asset classification and is therefore incorporated within Note 7 (a) as Furniture & Fittings.

All Board assets are measured subsequently at fair value as follows:

Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM;

Non specialised land and buildings, such as offices, are stated at fair value;

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government;

Non specialised equipment, installations and fittings are valued at fair value. Boards value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are valued at cost and are also subject to impairment review.

To meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

# Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Board and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

# Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

# Depreciation

Items of Board Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Purchased or donated items in the Fife Health Board Endowment Fund Art Collection are not depreciated.

Depreciation is charged on each main class of Board non-current asset as follows:

- Freehold land is considered to have an infinite life and is not depreciated.
- Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
- Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- Equipment is depreciated over the estimated life of the asset.

• Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis. The following asset lives have been used:

Asset Category/Component	Useful Life
Buildings – Structure	5 – 95
Buildings – Engineering	3 - 95
Buildings – External Works	5 - 80
Plant and Equipment	2 - 25
Information Technology	6 - 7
Furniture and Fittings	5 – 15
Vehicles	3 - 7

# **Intangible Assets**

# Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Board and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in a Board's activities for more than one year and they have a cost of at least £5,000.

The only class of intangible assets recognised is:

#### Software licences:

Purchased computer software licences are capitalised as intangible assets where expenditure of at least £5.000 is incurred.

#### Measurement

#### Valuation:

Software licences are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

#### Revaluation and impairment:

The Board does not revalue or impair software licences and the licences have no re-sale value. **Amortisation** 

Software licences are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure for the intangible asset (software licences). The licences are amortised over the shorter term of the licence and their useful economic lives on a straight line basis. A useful life of between 3 to 7 years is used for this asset category.

#### Non-current assets held for sale

Non-current assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
  - · management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are derecognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

#### **Donated Assets**

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

#### Sale of Property, plant and equipment, intangible assets and non-current assets held for sale

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

# Leasing

# **Operating leases**

An Operating lease is where the risks and rewards of ownership are not transferred to the lessee. The lease will generally run for less than the full economic life of the asset and the lessor would expect the asset to have a residual value at the end of the lease period.

The treatment adopted by the Board is to charge lease rentals to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

# Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease unless title to the land is expected to transfer.

# Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is

assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the Statement of Comprehensive Net Expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

#### **General Fund Receivables and Payables**

Where the Health Board has a positive net cash book balance at the year end, a corresponding creditor is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where the Health Board has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost.

#### **Losses and Special Payments**

Operating expenditure includes certain losses which would have been made good through insurance cover had the NHS not been bearing its own risks. Had the NHS provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

# **Employee Benefits**

# **Short-term Employee Benefits**

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

#### **Pension Costs**

The Board participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

#### **Clinical and Medical Negligence Costs**

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

NHS Fife provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from CNORIS in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

NHS Fife also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on the information prepared by NHS Boards and Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

#### **Related Party Transactions**

Material related party transactions are disclosed in Note 21 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

#### Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### **PFI Schemes**

Transactions financed as revenue transactions through the Private Finance Initiative (PFI) are accounted for in accordance with the HM Treasury application of IFRIC 12, Service Concession Arrangements, outlined in the FReM.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

#### **Provisions**

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to

settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

#### **Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in Note 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the
  occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of
  economic benefits will arise or for which the amount of the obligation cannot be measured with
  sufficient reliability.

#### **Corresponding Amounts**

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 'Presentation of Financial Statements', requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

#### **Financial Instruments**

#### Financial assets

#### Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

#### Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

(a) Financial assets at fair value through profit or loss

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.
- (c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where <u>both</u> of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

#### Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

#### Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

#### Financial Liabilities

#### Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- ii. they contain embedded derivatives; and/or
- iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

#### (b) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

## Recognition and measurement

Financial liabilities are recognised when the NHS Board becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

#### (b) Amortised costs

Financial liabilities held at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in Note 3.

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Where the Government Banking Service is using Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

#### Foreign exchange

The functional and presentational currencies of the Board are sterling. The Board has no material transactions which are denominated in a foreign currency.

#### Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.

However, they are disclosed in Note 23 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

#### Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below:

#### Early Retirement and Injury Benefit Provisions

The Board has provided for the estimated future costs relating to early retirement and injury benefits. Reliance is placed on information provided by other parties in order to establish the value of such provisions. The Scottish Public Pensions Agency provides details of claimants and the amounts the Board is due to pay over. Future payments are estimated using a discount rate provided by HM Treasury and life tables provided by the Office for National Statistics (ONS). Any future significant changes to the discount rate or the life tables could have a material impact on the level of provision required.

## Clinical and Medical Negligence Claims

Assumptions have been made regarding the likely outcome of legal claims lodged against the Board using information provided by the Central Legal Office and are in accordance with Scottish Government Guidance.

## Fair value of Property, plant and equipment

Estimates and assumptions regarding the fair value of Property, Plant and Equipment, as well as estimated impairment have been made. This is partly through information supplied by the Board's valuers, along with judgements around appropriate indices to use.

## 2. NOTES TO THE CASH FLOW STATEMENT

## 2a. Consolidated adjustments for non-cash transactions

2018			2019
£000		Note	£000
	Expenditure not paid in cash		
18,078	Depreciation	7a	17,032
94	Amortisation	6	112
93	Depreciation of donated assets	7a	101
11,215	Impairments on PPE charged to SoCNE		1,599
0	Net revaluation on PPE charged to SoCNE		0
(2,655)	Reversal of impairments on PPE charged to SoCNE		(575)
4	Loss on re-measurement of non-current assets held for sale	7b	0
(19)	Funding Of Donated Assets	7a	(235)
31	Movement in prescribing charge/ Assets		(41)
26,841	Total expenditure not paid in cash	CFS	17,993

## 2b. Interest payable recognised in operating expenditure

2018			2019
£000			£000
	Interest payable		
14,330	PFI Finance lease charges allocated in the year	18a	14,142
(35)	Provisions - Unwinding of discount		(149)
14,295	Net interest payable	CFS	13,993

## 2c. Consolidated movements in working capital

2018					2019
Net		Note	Opening	Closing	Net
movement			balances	balances	movement
£000			£000	£000	£000
	INVENTORIES				
26	Statement of Financial Position	8	4,660	5,327	
26	Net decrease / (increase)				(667)
	TRADE AND OTHER RECEIVABLES				
20,999	Due within one year	9	18,083	40,207	
(10,127)	Due after more than one year	9	70,073	55,633	
10,872			88,156	95,840	
10,872	Net decrease / (increase)				(7,684)
	TRADE AND OTHER PAYABLES				
10,461	Due within one year	12	73,409	76,868	
(2,751)	Due after more than one year	12	171,545	168,591	
	Less: property, plant & equipment (capital) included in above				
(318)	Less: General Fund creditor included in above	12	(542)	(512)	
2,563	Less: lease and PFI creditors included in above	12	(174,296)	(171,545)	
			70,116	73,402	
9,955	Net decrease / (increase)				3,286
	PROVISIONS				
(3,638)	Statement of Financial Position	13a	125,662	131,912	
			125,662	131,912	
(3,638)	Net decrease / (increase)				6,250
17,215	Net movement (decrease) / increase	CFS			1,185

#### 3. OPERATING EXPENSES

#### 3a. Staff costs

2018			2019	2019
Total			Board	Consolidated
£000			£000	£000
70,402	Medical and Dental		74,991	74,991
146,954	Nursing		152,543	152,543
112,548	Other Staff		114,501	114,501
329,904	Total	SoCNE	342,035	342,035

Further detail and analysis of employee costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

#### 3b. Other operating expenditure

2018 Total			2019 Board	2019 Consolidated
£000		Note	£000	£000
2000	Independent Primary Care Services:	Note	2000	2000
49,414	General Medical Services		52,783	52,783
11,959	Pharmaceutical Services		13,222	13,222
22,587	General Dental Services		22,975	22,975
7,072	General Ophthalmic Services		7,129	7,129
91,032	Total		96,109	96,109
	Drugs and medical supplies:			
74,228	Prescribed drugs Primary Care		72,500	72,500
31,451	Prescribed drugs Secondary Care		31,216	31,216
24,273	Medical Supplies		24,804	24,804
129,952	Total		128,520	128,520
	Other health care expenditure			
409,563	Contribution to Integration Joint Boards		425,380	425,380
79,354	Goods and services from other NHSScotland bodies		83,258	83,258
1,507	Goods and services from other UK NHS bodies		832	832
3,417	Goods and services from private providers		4,345	4,345
2,293	Goods and services from voluntary organisations		2,507	2,507
19,258	Resource Transfer		19,238	19,238
9	Loss on disposal of assets		22	22
142,568	Other operating expenses <sup>2</sup>		132,080	132,080
164	External Auditor's remuneration - statutory audit fee		155	164
671	Endowment Fund expenditure		0	1,247
658,804	Total		667,817	669,073
879,788	Total Other Operating Expenditure		892,446	893,702

Further details of operating expenditure can be found in the NHS Fife 2018-19 Cost Book when published.

 $<sup>^2</sup>$  Other operating expenses include £24m Social Care Fund to Fife Council and £26.038m unitary charges expensed for PPP contracts.

## 4. OPERATING INCOME

2018			2019	2019
Total			Board	Consolidated
£000		Note	£000	£000
275	Income from Scottish Government		742	742
21,714	Income from other NHS Scotland bodies		22,974	22,974
299	Income from NHS non-Scottish bodies		200	200
409,869	Income for services commissioned by Integration Joint Board		418,405	418,405
4,564	Patient charges for primary care		4,706	4,706
19	Donations		235	235
171	Profit on disposal of assets		44	44
2,118	Contributions in respect of clinical and medical negligence claims		9,678	9,678
	Non NHS:			
21	Overseas patients (non-reciprocal)		75	75
491	Non-patient care income generation schemes		577	577
976	Endowment Fund Income		0	1,425
8,186	Other		8,229	8,229
448,703	Total Income	SoCNE	465,865	467,290

#### 5. SEGMENTAL INFORMATION

The net expenditure of the Board are analysed on the basis of Individual Divisions and Corporate Directorates. The Board is updated on the financial position within the Integrated Performance Report. The segments that have been used to report performance management this year are as follows:

- Acute Services Division
- Corporate Departments
- Community Service Divisions
- Family Health Services (FHS)
- Endowments

Assets and liabilities are not reported as part of performance management arrangements and this information is not provided.

	Acute Services	Corporate	Community Service Divisions	FHS	Endowment	2019
	£000	£000	£000	£000	£000	£000
Net operating cost	191,235	191,855	212,038	173,488	(169)	768,447

## PRIOR YEAR

	Hospital Services	Corporate	Community Service Divisions	FHS	Endowment	2018
	£000	£000	£000	£000	£000	£000
Net operating cost	189,357	200,090	202,429	169,409	(296)	760,989

## 6. INTANGIBLE ASSETS

## 6a. INTANGIBLE ASSETS (NON-CURRENT) - CONSOLIDATED

Cost or Valuation:         £000         £000           At 1 April 2018         840         840           Additions         277         277           At 31 March 2019         1,117         1,117           Amortisation         519         519           At 1 April 2018         519         519           Provided during the year         112         112           At 31 March 2019         631         631           Net book value at 1 April 2018         321         321           Net book value at 31 March 2019         SoFP         486         486           6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD         \$000         £000           Cost or Valuation:         £000         £000           Cost or Valuation:         840         840
At 1 April 2018       840       840         Additions       277       277         At 31 March 2019       1,117       1,117         Amortisation       Value 1 April 2018       519       519         Provided during the year       112       112       112         At 31 March 2019       631       631       631         Net book value at 1 April 2018       321       321       321         Net book value at 31 March 2019       SoFP       486       486         6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD       Software Licences       Total         £000       £000         Cost or Valuation:
Additions 277 277  At 31 March 2019 1,117 1,117  Amortisation  At 1 April 2018 519 519  Provided during the year 112 112  At 31 March 2019 631 631  Net book value at 1 April 2018 321 321  Net book value at 31 March 2019 SoFP 486 486  Ga. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Cost or Valuation:
At 31 March 2019 1,117 1,117  Amortisation At 1 April 2018 519 519 Provided during the year 112 112 At 31 March 2019 631 631 Net book value at 1 April 2018 321 321 Net book value at 31 March 2019 SoFP 486 486  6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences Total £000 £000  Cost or Valuation:
Amortisation At 1 April 2018 519 519 Provided during the year 112 112 At 31 March 2019 631 631 Net book value at 1 April 2018 321 321 Net book value at 31 March 2019 SoFP 486 486  6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences Total £000 £000  Cost or Valuation:
At 1 April 2018 Provided during the year At 31 March 2019 At 31 March 2019  Net book value at 1 April 2018 Net book value at 31 March 2019  SoFP SoFP Software Licences Total  £000  £000  Cost or Valuation:
At 1 April 2018 Provided during the year At 31 March 2019 At 31 March 2019  Net book value at 1 April 2018 Net book value at 31 March 2019  SoFP SoFP Software Licences Total  £000  £000  Cost or Valuation:
Provided during the year 112 112  At 31 March 2019 631 631  Net book value at 1 April 2018 321  Net book value at 31 March 2019 SoFP 486 486  6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences Total  £000 £000  Cost or Valuation:
At 31 March 2019 631 631  Net book value at 1 April 2018 321  Net book value at 31 March 2019 SoFP 486 486  6a. INTANGIBLE ASSETS (NON-CURRENT) - Software Licences Total  £000 £000  Cost or Valuation:
Net book value at 1 April 2018 Net book value at 31 March 2019  6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences  £000  £000  Cost or Valuation:
Net book value at 31 March 2019  SoFP 486  486  6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences  £000  £000  Cost or Valuation:
6a. INTANGIBLE ASSETS (NON-CURRENT) - BOARD  Software Licences  £000 £000  Cost or Valuation:
Software Licences Total  £000 £000  Cost or Valuation:
£000 £000  Cost or Valuation:
Cost or Valuation:
At 1 April 2018 840 840
Additions 277 277
At 31 March 2019 1,117 1,117
Amortisation
At 1 April 2018 519 519
Provided during the year 112 112
At 31 March 2019 631 631
Not be also as 4.4 April 2049
Net book value at 1 April 2018         321           Net book value at 31 March 2019         SoFP         486           486         486

## 6a. INTANGIBLE ASSETS (NON-CURRENT), cont. - CONSOLIDATED PRIOR YEAR

		Total	
	Note	£000	£000
Cost or Valuation:			
At 1 April 2017		746	746
Additions		94	94
At 31 March 2018		840	840
Amortisation			
At 1 April 2017		425	425
Provided during the year		94	94
At 31 March 2018		519	519
Net book value at 1 April 2017		321	321
Net book value at 31 March 2018	SoFP	321	321

## 6a. INTANGIBLE ASSETS (NON-CURRENT), cont. - BOARD PRIOR YEAR

	Software Licences	Total
	£000	£000
Cost or Valuation:		
At 1 April 2017	746	746
Additions	94	4 94
At 31 March 2018	840	840
Amortisation		
At 1 April 2017	429	5 425
Provided during the year	94	4 94
At 31 March 2018	519	519
Net book value at 1 April 2017	32	1 321
Net book value at 31 March 2018	SoFP 32	1 321

## 7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construct ion	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2018	44,717	417,832	4,976	1,011	57,926	19,715	462	3,204	549,843
Additions - purchased	0	0	0	60	3,735	715	0	3,692	8,202
Additions - donated	0	0	0	0	235	0	0	0	235
Completions	0	4,229	0	0	0	0	0	(4,229)	0
Revaluations	143	(3,361)	(335)	0	0	0	2	0	(3,551)
Impairment charges	0	(2,304)	0	0	0	0	0	0	(2,304)
Impairment reversals	0	543	0	0	0	0	0	0	543
Disposals - purchased	(90)	0	(198)	(163)	(943)	0	0	0	(1,394)
Disposals – donated	0	0	0	0	(28)	0	0	0	(28)
At 31 March 2019	44,770	416,939	4,443	908	60,925	20,430	464	2,667	551,546
Depreciation									
At 1 April 2018	0	14,866	581	905	42,817	12,111	347	0	71,627
Provided during the year - purchased	0	12,089	204	52	2,992	1,695	0	0	17,032
Provided during the year - donated	0	65	0	0	36	0	0	0	101

## 7a. PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED (CONT)

Revaluations		0	(7,056)	(545)	0	0	0	0	0	(7,601)
Impairment charges		0	(705)	0	0	0	0	0	0	(705)
Impairment reversals		0	(32)	0	0	0	0	0	0	(32)
Disposals - purchased		0	0	0	(163)	(918)	0	0	0	(1,081)
Disposals - donated		0	0	0	0	(28)	0	0	0	(28)
At 31 March 2019		0	19,227	240	794	44,899	13,806	347	0	79,313
Net book value at 1 April 2018		44,717	402,966	4,395	106	15,109	7,604	115	3,204	478,216
Net book value at 31 March 2019	SoFP	44,770	397,712	4,203	114	16,026	6,624	117	2,667	472,233
Asset financing:										
Owned - purchased		44,770	197,745	4,203	114	15,597	6,624	0	2,667	271,720
Owned - donated		0	1,710	0	0	295	0	117	0	2,122
On-balance sheet PFI contracts		0	198,257	0	0	134	0	0	0	198,391
Net book value at 31 March 2019	SoFP	44,770	397,712	4,203	114	16,026	6,624	117	2,667	472,233

## 7a. PROPERTY, PLANT AND EQUIPMENT - BOARD

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2018	44,717	417,832	4,976	1,011	57,926	19,715	347	3,204	549,728
Additions - purchased	0	0	0	60	3,735	715	0	3,692	8,202
Additions - donated	0	0	0	0	235	0	0	0	235
Completions	0	4,229	0	0	0	0	0	(4,229)	0
Revaluations	143	(3,361)	(335)	0	0	0	0	0	(3,553)
Impairment charges	0	(2,304)	0	0	0	0	0	0	(2,304)
Impairment reversals	0	543	0	0	0	0	0	0	543
Disposals - purchased	(90)	0	(198)	(163)	(943)	0	0	0	(1,394)
Disposals - donated	0	0	0	0	(28)	0	0	0	(28)
At 31 March 2019	44,770	416,939	4,443	908	60,925	20,430	347	2,667	551,429
Depreciation									
At 1 April 2018	0	14,866	581	905	42,817	12,111	347	0	71,627
Provided during the year - purchased	0	12,089	203	53	2,992	1,695	0	0	17,032
Provided during the year - donated	0	65	0	0	36	0	0	0	101
Revaluations	0	(7,056)	(545)	0	0	0	0	0	(7,601)
Impairment charges	0	(705)	0	0	0	0	0	0	(705)
Impairment reversals	0	(32)	0	0	0	0	0	0	(32)
Disposals - purchased	0	0	0	(163)	(918)	0	0	0	(1,081)
Disposals - donated  At 31 March 2019	0	0	0	0	(28)	0	0	0	(28)
	0	19,227	239	795	44,899	13,806	347	0	79,313

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# 7a. PROPERTY, PLANT AND EQUIPMENT – BOARD (CONT)

Net book value at 1 April 2018		44,717	402,966	4,395	106	15,109	7,604	0	3,204	478,101
Net book value at 31 March 2019	SoFP	44,770	397,712	4,204	113	16,026	6,624	0	2,667	472,116
Asset financing:										
Owned - purchased		44,770	197,745	4,204	113	15,597	6,624	0	2,667	271,720
Owned - donated		0	1,710	0	0	295	0	0	0	2,005
On-balance sheet PFI contracts		0	198,257	0	0	134	0	0	0	198,391
Net book value at 31 March 2019	SoFP	44,770	397,712	4,204	113	16,026	6,624	0	2,667	472,116

## 7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED PRIOR YEAR

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	43,687	448,219	5,087	1,099	56,743	15,522	459	5,775	576,591
Additions - purchased	0	0	0	11	2,429	850	0	4,558	7,848
Additions - donated	0	0	0	0	19	0	0	0	19
Transfers between asset categories	0	3,701	0	0	85	3,343	0	(7,129)	0
Transfers (to) / from non-current assets held for sale	(213)	(73)	0	0	0	0	0	0	(286)
Revaluations	1,243	(22,054)	(111)	0	0	0	3	0	(20,919)
Impairment charges	(1)	(14,640)	0	0	0	0	0	0	(14,641)
Impairment reversals	1	2,679	0	0	0	0	0	0	2,680
Disposals - purchased	0	0	0	(99)	(1,338)	0	0	0	(1,437)
Disposals - donated	0	0	0	0	(12)	0	0	0	(12)
At 31 March 2018	44,717	417,832	4,976	1,011	57,926	19,715	462	3,204	549,843
Depreciation									
At 1 April 2017	0	17,859	380	934	41,127	10,182	347	0	70,829
Provided during the year - purchased	0	12,850	220	70	3,009	1,929	0	0	18,078
Provided during the year - donated	0	72	0	0	21	0	0	0	93
Transfers (to) / from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluations	0	(12,514)	(19)	0	0	0	0	0	(12,533)
Impairment charges	0	(3,426)	0	0	0	0	0	0	(3,426)
Impairment reversals	0	25	0	0	0	0	0	0	25

## 7a. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED PRIOR YEAR (CONT)

Disposals - purchased		0	0	0	(99)	(1,328)	0	0	0	(1,427)
Disposals - donated		0	0	0	0	(12)	0	0	0	(12)
At 31 March 2018		0	14,866	581	905	42,817	12,111	347	0	71,627
Net book value at 1 April 2017		43,687	430,360	4,707	165	15,616	5,340	112	5,775	505,762
Net book value at 31 March 2018	SoFP	44,717	402,966	4,395	106	15,109	7,604	115	3,204	478,216
Asset financing:										
Owned - purchased		44,717	199,447	4,395	106	14,760	7,604	0	3,204	274,233
Owned - donated		0	1,760	0	0	96	0	115	0	1,971
On-balance sheet PFI contracts		0	201,759	0	0	253	0	0	0	202,012
Net book value at 31 March 2018	SoFP	44,717	402,966	4,395	106	15,109	7,604	115	3,204	478,216

# 7a. PROPERTY, PLANT AND EQUIPMENT - BOARD PRIOR YEAR

	Land (including under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	43,687	448,219	5,087	1,099	56,743	15,522	347	5,775	576,479
Additions - purchased	0	0	0	11	2,429	850	0	4,558	7,848
Additions - donated	0	0	0	0	19	0	0	0	19
Transfers between asset categories	0	3,701	0	0	85	3,343	0	(7,129)	0
Transfers (to) / from non-current assets held for sale	(213)	(73)	0	0	0	0	0	0	(286)
Revaluations	1,243	(22,054)	(111)	0	0	0	0	0	(20,922)
Impairment charges	(1)	(14,640)	0	0	0	0	0	0	(14,641)
Impairment reversals	1	2,679	0	0	0	0	0	0	2,680
Disposals - purchased	0	0	0	(99)	(1,338)	0	0	0	(1,437)
Disposals - donated	0	0	0	0	(12)	0	0	0	(12)
At 31 March 2018	44,717	417,832	4,976	1,011	57,926	19,715	347	3,204	549,728
Depreciation									
At 1 April 2017	0	17,859	380	934	41,127	10,182	347	0	70,829
Provided during the year - purchased	0	12,850	220	70	3,009	1,929	0	0	18,078
Provided during the year - donated	0	72	0	0	21	0	0	0	93
Revaluations	0	(12,514)	(19)	0	0	0	0	0	(12,533)
Impairment charges	0	(3,426)	0	0	0	0	0	0	(3,426)
Impairment reversals	0	25	0	0	0	0	0	0	25
Disposals - purchased	0	0	0	(99)	(1,328)	0	0	0	(1,427)
Disposals - donated At 31 March 2018	0	0	0	0	(12)	0	0	0	(12)
At 31 maion 2010	0	14,866	581	905	42,817	12,111	347	0	71,627

#### 7a. PROPERTY, PLANT AND EQUIPMENT - BOARD PRIOR YEAR (CONT)

Net book value at 1 April 2017		43,687	430,360	4,707	165	15,616	5,340	0	5,775	505,650
Net book value at 31 March 2018	SoFP	44,717	402,966	4,395	106	15,109	7,604	0	3,204	478,101
Asset financing:										
Owned - purchased		44,717	199,447	4,395	106	14,760	7,604	0	3,204	274,233
Owned - donated		0	1,760	0	0	96	0	0	0	1,856
On-balance sheet PFI contracts		0	201,759	0	0	253	0	0	0	202,012
Net book value at 31 March 2018	SoFP	44,717	402,966	4,395	106	15,109	7,604	0	3,204	478,101

During 2018/19 the Board sold Hayfield Clinic, Hazel Avenue and 10 Acre Field Land at Stratheden Hospital. At 31 March 2019, the Board held Forth Park Maternity Hospital, Lynebank Land (North Plot) and Fair Isle Clinic as assets held for sale.

The Board currently follows a policy of ensuring all land and buildings are revalued at least once in every five year period. The Board's intention is to continue with a five year rolling programme for the revaluation of non-current assets.

The Valuation Office Agency (VOA) has provided its revaluation for 2018/19 and has also supplied its indices to be used in the indexation of the buildings not revalued. In line with SGHSCD guidance, equipment has no indexation applied.

During 2018/19, the Board has had 100% of land and 19.44% of buildings revalued by the VOA.

## 7b. ASSETS HELD FOR SALE

		Property, Plant & Equipment	Total
ASSETS HELD FOR SALE - CONSOLIDATED	Note	£000	£000
At 1 April 2018		2,383	2,383
Disposals of non-current assets held for sale		(185)	(185)
At 31 March 2019	SoFP	2,198	2,198
		Property, Plant & Equipment	Total
ASSETS HELD FOR SALE - BOARD		£000	£000
At 1 April 2018		2,383	2,383
Disposals of non-current assets held for sale		(185)	(185)
At 31 March 2019	SoFP	2,198	2,198

## 7b. ASSETS HELD FOR SALE

		Property, Plant & Equipment	Total
ASSETS HELD FOR SALE - CONSOLIDATED (PRIOR YEAR)		£000	£000
At 1 April 2017		4,531	4,531
Transfers from property, plant and equipment Gain or losses recognised on re-measurement of non-current assets		286	286
held for sale		(4)	(4)
Disposals of non-current assets held for sale		(2,430)	(2,430)
At 31 March 2018	SoFP	2,383	2,383
		Property, Plant & Equipment	Total
ASSETS HELD FOR SALE – BOARD (PRIOR YEAR)		£000	£000
At 1 April 2017		4,531	4,531
Transfers from property, plant and equipment Gain or losses recognised on re-measurement of non-current assets		286	286
held for sale		(4)	(4)
		( · )	` '
Disposals of non-current assets held for sale		(2,430)	(2,430)

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## 7c. PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
		Net book value of property, plant and equipment at 31 March			
476,246	476,246	Purchased		470,111	470,111
1,970	1,855	Donated		2,122	2,005
478,216	478,101	Total	SoFP	472,233	472,116
0	0	Net book value related to land valued at open market value at 31 March		0	0
2,145	2,145	Net book value related to buildings valued at open market value at 31 March		1,908	1,908
		Total value of assets held under:			
202,012	202,012	PFI and PPP Contracts		198,391	198,391
202,012	202,012			198,391	198,391
		Total depreciation charged in respect of assets held under:			
5,117	5,117	PFI and PPP contracts		4,877	4,877
5,117	5,117			4,877	4,877

All land and 19.44% of buildings were revalued by an independent valuer, The Valuation Office Agency, as at 31/03/2019 on the basis of fair value (market value or depreciated replacement costs where appropriate). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £4.047m (2017-18: an increase of £8.389m) which was credited to the revaluation reserve. Impairment of £1.024m (2017-18: £8.563m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn

## 7d. ANALYSIS OF CAPITAL EXPENDITURE

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
		Expenditure			
94	94	Acquisition of intangible assets	6	277	277
7,848	7,848	Acquisition of property, plant and equipment	7a	8,202	8,202
19	19	Donated asset additions	7a	235	235
7,961	7,961	Gross Capital Expenditure		8,714	8,714
		Income			
10	10	Net book value of disposal of property, plant and equipment	7a	313	313
2,430	2,430	Value of disposal of non-current assets held for sale	7b	185	185
19	19	Donated asset income		235	235
2,459	2,459	Capital Income		733	733
5,502	5,502	Net Capital Expenditure		7,981	7,981
		SUMMARY OF CAPITAL RESOURCE OUTTURN			
5,502	5,502	Core capital expenditure included above		7,981	7,981
5,504	5,504	Core Capital Resource Limit		7,986	7,986
2	2	Saving / (excess) against Core Capital Resource Limit		5	5
5,502	5,502	Total capital expenditure		7,981	7,981
5,504	5,504	Total Capital Resource Limit		7,986	7,986
2	2	Saving / (excess) against Total Capital Resource Limit		5	5

## 8. INVENTORIES

Consolidated	Board		C	Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
4,660	4,660	Raw materials and consumables		5,327	5,327
4.660	4.660	Total inventories	SoFP	5.327	5.327

## 9. TRADE AND OTHER RECEIVABLES

Consolidated 2018	Board 2018			Consolidated 2019	Board 2019
£000	£000	Pageivables due within one year	Note	£000	£000
		Receivables due within one year			
		NHSScotland			
431	431	Scottish Government Health & Social Care Directorate		692	692
1,248	1,248	Boards		1,232	1,232
1,679	1,679	Total NHSScotland Receivables		1,924	1,924
79	79	NHS non-Scottish bodies		62	62
1,259	1,259	VAT recoverable		1,403	1,403
7,784	7,784	Prepayments		7,949	7,949
1,772	1,772	Accrued income		281	281
794	813	Other receivables		1,614	1,131
3,980	3,980	Reimbursement of provisions		26,633	26,633
736	736	Other public sector bodies		341	341
40.000	40.400	Tatal Danishabla day of the	SoFP	40.007	00.704
18,083	18,102	Total Receivables due within one year	0011	40,207	39,724
		Receivables due after more than one year			
335	335	Prepayments		322	322
703	703	Accrued income		706	706
21	21	Other receivables		22	22
69,014	69,014	Reimbursement of provisions		54,583	54,583
70,073	70,073	Total Receivables due after more than one year	SoFP	55,633	55,633
88,156	88,175	TOTAL RECEIVABLES		95,840	95,357
172	172	The total receivables figure above includes a provision for impairments of :		317	317
		WGA Classification			
1,248	1,248	NHS Scotland		1,232	1,232
1,706	1,706	Central Government bodies		2,094	2,094
720	720	Whole of Government bodies		341	341
79	79	Balances with NHS bodies in England and Wales		62	62
84,403	84,422	Balances with bodies external to Government		92,111	91,628
88,156	88,175	Total		95,840	95,357

2018 2018 £000 £000		Mayamanta an the provision for impairment of	2019	2019	
		Movements on the provision for impairment of receivables are as follows:	£000	£000	
15	15	At 1 April	172	172	
15	13	Аст Арпі	172	172	
172	172	Provision for impairment	189	189	
(10)	(10)	Receivables written off during the year as uncollectable	(40)	(40)	
(5)	(5)	Unused amounts reversed	(4)	(4)	
172	172	At 31 March	317	317	

As of 31 March 2019, receivables with a carrying value of £317k (2018: £172k) were impaired and provided for. The ageing of these receivables is as follows:

2018	2018		2019	2019
£000	£000		£000	£000
(	0 0	3 to 6 months past due	3	3
17:	2 172	Over 6 months past due	314	314
17:	2 172		317	317

The receivables assessed as individually impaired were mainly overseas patients, CRU income and private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2019, receivables with a carrying value of £0.558m (2018: £0.755m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

2018		2018		2019	2019
£000		£000		£000	£000
3	357	357	Up to 3 months past due	301	301
1	73	173	3 to 6 months past due	50	50
2	225	225	Over 6 months past due	207	207
7	<b>'5</b> 5	755		558	558

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities and Universities and there is no history of default from these customers recently.

Concentration of credit risk is limited due to customer base being large and unrelated / government bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.

The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.

Receivables that are neither past due nor impaired are shown by their credit risk below:

2018	2018		2019	2019
£000	£000		£000	£000
1,532	1,532	Existing customers with no defaults in the past	1,655	1,655
1,532	1,532	Total neither past due or impaired	1,655	1,655

The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.

:	2018	The carrying amount of receivables are denominated in		2019	2019
:	£000 £000	£000	the following currencies:	£000	£000
	88,156	88,175	Pounds	95,840	95,357
	88,156	88,175		95,840	95,357

All non-current receivables are due within 2 years (2017-18: 2 years) from the Statement of Financial Position date.

The carrying amount of short term receivables approximates their fair value.

The fair value of long term other receivables is £322k (2017-18: £335k).

## 10. INVESTMENTS

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000			£000	£000
729	0	Government securities		733	0
11,358	0	Other		11,690	0
12,087	0	TOTAL	SoFP	12,423	0
12,153	0	At 1 April		12,087	0
1,141	0	Additions	CFS	256	0
(962)	0	Disposals		(500)	0
(245)	0	Revaluation surplus / (deficit) transferred to equity	SoCTE	580	0
12,087	0	At 31 March		12,423	0
12,087	0	Non-current	SoFP	12,423	0
12,087	0	At 31 March		12,423	0

Included within other investments is £3.00 relating to NHS Fife's share capital investment for East Central hub territory.

## 11. CASH AND CASH EQUIVALENTS

		2019	2018
	Note	£000	£000
Balance at 1 April		877	482
Net change in cash and cash equivalent balances	CFS	(102)	395
Balance at 31 March	SoFP	775	877
Total Cash - Cash Flow Statement		775	877
The following balances at 31 March were held at:			
Government Banking Service		412	414
Commercial banks and cash in hand		100	128
Endowment cash		263	335
Balance at 31 March		775	877

## 12. TRADE AND OTHER PAYABLES

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
		Payables due within one year			
		NHSScotland			
403	403	Scottish Government Health & Social Care Directorate		214	214
12,431	12,431	Boards		8,340	8,340
12,834	12,834	Total NHSScotland Payables		8,554	8,554
1,372	1,372	NHS Non-Scottish bodies		1,089	1,089
542	542	Amounts payable to General Fund		512	512
17,673	17,673	FHS practitioners		17,674	17,674
1,496	1,476	Trade payables		4,050	4,012
20,546	20,546	Accruals		20,440	20,440
1,143	1,143	Deferred income		241	241
1,602	1,602	Payments received on account		1,841	1,841
2,751	2,751	Net obligations under PPP / PFI Contracts	<b>18</b> a	2,954	2,954
6,637	6,637	Income tax and social security		6,531	6,531
4,718	4,718	Superannuation		4,734	4,734
1,313	1,313	Holiday pay accrual		896	896
782	782	Other public sector bodies		7,352	7,352
73,409	73,389	Total Payables due within one year	SoFP	76,868	76,830
		Payables due after more than one year			
		Net obligations under PPP / PFI contracts due within 2	<b>18</b> a	0.4=4	0.4=4
2,954	2,954	years Net obligations under PPP / PFI contracts due after 2		3,174	3,174
10,256	10,256	years but within 5 years Net obligations under PPP / PFI contracts due after 5	<b>18</b> a	11,030	11,030
158,335	158,335	years	18a	154,387	154,387
171,545	171,545	Total Payables due after more than one year	SoFP	168,591	168,591
244,954	244,934	TOTAL PAYABLES		245,459	245,421
		WGA Classification			
12,431	12,431	NHS Scotland		8,340	8,340
11,745	11,745	Central Government bodies		11,471	11,471
782	782	Whole of Government bodies		7,352	7,352
1,372	1,372	Balances with NHS bodies in England and Wales		1,089	1,089
218,624	218,604	Balances with bodies external to Government		217,207	217,169
244,954	244,934	Total		245,459	245,421

174,296       174,296       171,545       171,545         2018       2018       Dorrowings are as follows       2019       2019         £000       £000       Carrying amount       £000       £000         171,545       171,545       PFI contracts       168,591       168,591         171,545       171,545       PFI contracts       2019       2019         2018       2018       The carrying amount and fair value of the non-current borrowings are as follows       Fair value       Fair value         Fair value       Fair value       Fair value       Fair value         £000       £000       £000       £000         171,545       PFI contracts       168,591       168,591	2018 £000	2018 £000	Borrowings included above comprise:	2019 £000	2019 £000
2018         2018         2019         2019           £000         £000         Carrying amount         £000         £000           171,545         171,545         PFI contracts         168,591         168,591           171,545         171,545         168,591         168,591           2018         2018         2019         2019           Fair value         Fair value         Fair value         Fair value           £000         £000         Fair value         £000         £000           171,545         171,545         PFI contracts         168,591         168,591	174,296	3 174,296	PFI contracts	171,545	171,545
2018         2018         borrowings are as follows         2019         2019           £000         £000         £000         £000           171,545         171,545         PFI contracts         168,591         168,591           171,545         171,545         168,591         168,591           2018         2018         2019         2019           Fair value         Fair value         Fair value         Fair value           £000         £000         £000         £000           171,545         171,545         PFI contracts         168,591         168,591	174,296	174,296		171,545	171,545
171,545       171,545       PFI contracts       168,591       168,591         171,545       171,545       168,591       168,591         2018       2018       2019       2019         Fair value       Fair value       Fair value       Fair value         £000       £000       Fair value       £000       £000         171,545       171,545       PFI contracts       168,591       168,591	2018	2018		2019	2019
171,545       171,545       168,591       168,591         2018       2018       The carrying amount and fair value of the non-current borrowings are as follows       Fair value       Fair value       Fair value         £000       £000       Fair value       £000 </th <th>£000</th> <th>£000</th> <th>Carrying amount</th> <th>£000</th> <th>£000</th>	£000	£000	Carrying amount	£000	£000
2018         2018         2019         2019           Fair value         £000 <t< th=""><td>171,545</td><th>5 171,545</th><td>PFI contracts</td><td>168,591</td><td>168,591</td></t<>	171,545	5 171,545	PFI contracts	168,591	168,591
The carrying amount and fair value of the non-current borrowings are as follows Fair value Fair value  £000 £000 Fair value  Fair value  £000 £000 £000  171,545 171,545 PFI contracts 168,591	171,545	5 171,545		168,591	168,591
Fair valueFair valueborrowings are as followsFair valueFair value£000£000£000£000171,545171,545PFI contracts168,591168,591	2018	2018	The carrying amount and fair value of the non-current	2019	2019
171,545 171,545 PFI contracts 168,591 168,591	Fair value Fair value			Fair value	Fair value
	£000	£000	Fair value	£000	£000
171,545 171,545 168,591 168,591	171,545	5 171,545	PFI contracts	168,591	168,591
	171,545	5 171,545		168,591	168,591
The carrying amount of short term payables approximates their fair value.					
2018 2018 2019 2019	2018	2018		2019	2019
The carrying amount of payables are denominated in £000 £000 the following currencies: £000 £000	£000	£000		£000	£000
244,954 244,934 Pounds 245,459 245,421	244,954	1 244,934	Pounds	245,459	245,421
244,954 244,934 245,459 245,421	244,954	1 244,934		245,459	245,421

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## 13a. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non-endowment)	2019 TOTAL
	£000	£000	£000	£000	£000
At 1 April 2018	9,989	74,561	41,082	30	125,662
Arising during the year	144	11,345	6,496	0	17,985
Utilised during the year	(701)	(2,385)	(1,859)	0	(4,945)
Unwinding of discount	(149)	0	(86)	0	(235)
Reversed unutilised	(83)	(1,270)	(5,202)	0	(6,555)
At 31 March 2019	9,200	82,251	40,431	30	131,912

The amounts shown in relation to Clinical & Medical Legal Claims against NHS Fife are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

## Analysis of expected timing of discounted flows to 31 March 2019

	Pensions and similar obligations			Other (non-endowment)	2019 TOTAL
	£000	£000	£000	£000	£000
Payable in one year	701	27,564	6,197	0	34,462
Payable between 2 - 5 years	2,797	41,020	21,344	0	65,161
Payable between 6 - 10 years	2,938	1,380	1,778	0	6,096
Thereafter	2,764	12,287	11,112	30	26,193
At 31 March 2019	9,200	82,251	40,431	30	131,912

#### 13a. PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2018 TOTAL
	£000	£000	£000	£000	£000
At 1 April 2017	8,602	83,247	37,421	30	129,300
Arising during the year	1,981	3,872	8,533	0	14,386
Utilised during the year	(661)	(3,450)	(1,573)	0	(5,684)
Unwinding of discount	125	0	(160)	0	(35)
Reversed unutilised	(58)	(9,108)	(3,139)	0	(12,305)
At 31 March 2018	9,989	74,561	41,082	30	125,662

The amounts shown in relation to Clinical & Medical Legal Claims against NHS Fife are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9.

#### Analysis of expected timing of discounted flows to 31 March 2018

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other (non- endowment)	2018 TOTAL
	£000	£000	£000	£000	£000
Payable in one year	695	4,057	6,292	0	11,044
Payable between 2 - 5 years	2,777	55,724	24,604	0	83,105
Payable between 6 - 10 years	3,129	599	881	0	4,609
Thereafter	3,388	14,181	9,305	30	26,904
At 31 March 2018	9,989	74,561	41,082	30	125,662

#### **Pensions and Similar Obligations**

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and death/death of a spouse. The Board also makes provision for injury benefit obligations until death or a change circumstances. The Board provides for this in full by establishing a provision for the estimated payments discounted by the Treasury discount rate of 0.29% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 35 years.

#### Clinical & Medical Legal Claims against NHS Board

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon the risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. However, where cases are settled with structured payments,

these are likely to be for a longer period of time. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

## Participation in CNORIS

The Board participates in the Clinical Negligence and Other Risks Scheme (CNORIS). The principal of the scheme is that it will work in a similar manner to insurance schemes through the risk pooling of legal claims in relation to clinical negligence and other risks. The amount disclosed recognises the Board's share of the total CNORIS liability for NHSScotland. Further detail is provided in note 13b.

#### Other (non-endowment)

Other contains a provision for Waste Electronic and Electrical Equipment (WEE) Regulations (£30k), which reflects the anticipated future costs of medical equipment disposals.

#### 13b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2018		Note	2019
£000			£000
74,561	Provision recognising individual claims against the NHS Board as at 31 March	13a	82,251
(72,994)	Associated CNORIS receivable at 31 March	9	(81,216)
41,082	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1 <b>3a</b>	40,431
42,649	Net Total Provision relating to CNORIS at 31 March 2019		41,466

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHSScotland has been made and this is reflected in third line above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

Further information on the scheme can be found at: http://www.clo.scot.nhs.uk/our-services/cnoris.aspx

## 14. CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the Accounts:

2018		2019
£000		£000
	Nature	
18,980	Clinical and medical compensation payments	22,615
18,980	TOTAL CONTINGENT LIABILITIES	22,615
	CONTINGENT ASSETS	
17,953	Clinical and medical compensation payments	21,430
17,953		21,430

## 15. EVENTS AFTER THE END OF THE REPORTING YEAR

Events after the end of the reporting period having a material effect on the accounts are:

There were no post balance sheet events

## 16. COMMITMENTS

2018		Property, plant and equipment 2019
£000		£000
	Contracted	
0	VHK MTHW	300
0	VHK Lifts	42
0	Kelty Health Centre	80
159	QMH Lifts	54
25	Staff Club VHK	0
46	Catering VHK	0
72	Lynebank Tayview Ward	0
14	Orthodontic Works VHK	0
25	Wards 5 & 6 QMH	0
341	Total	476
	Authorised but not Contracted	
2,126	Equipment	2,126
3,896	Other Projects	5,761
1,041	Information Technology	1,041
	Vehicles	
7,063	Total	8,928

## **Other Financial Commitments**

The Board has no other financial commitments

## 17. COMMITMENTS UNDER LEASES

## **Operating Leases**

Total future minimum lease payments under operating leases are given in the table below for the each of the following periods:

## Obligations under operating leases comprise:

2018 £000		2019 £000
2000	Land	2000
1	Not later than one year	1
1		1
2	Later than one year, not later than 2 years	•
_	Later than two year, not later than five years	2
5	Later than five years	5
	D 111	
	Buildings	
42	Not later than one year	196
4	Later than one year, not later than 2 years	147
0	Later than two year, not later than five years	431
0	Later than five years	577
	Other	
2,765	Not later than one year	2,884
•	•	•
2,429	Later than one year, not later than 2 years	2,655
4,432	Later than two year, not later than five years	2,541
0	Later than five years	6
	Amounts charged to Operating Costs in the year were:	
2,950	Hire of equipment (including vehicles)	3,103
50	Other operating leases	193
3,000	Total	3,296

#### 18a. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

The Board has entered into the following on-balance sheet PFI projects.

St Andrew's Community Hospital Contract started 31st July 2009. Contract ends 30th July 2039. In accordance with HM Treasury application of IFRIC 12 principles the property is a non current asset of NHS Fife Board and that the liability to pay for the property is, in substance, a finance lease obligation.

Victoria Hospital Contract started 28th October 2011. Contract ends 27th October 2041. In accordance with HM Treasury application of IFRIC 12 principles the property is a non current asset of NHS Fife Board and that the liability to pay for the property is, in substance, a finance lease obligation.

Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a non current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements; imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

## Total obligations under on-balance sheet PFI / PPP / Hub contracts for the following periods comprises:

2018	Gross Minimum Lease Payments		St Andrews	Victoria	2019 TOTAL
£000			£000	£000	£000
16,893	Rentals due within 1 year		1,757	15,136	16,893
16,893	Due within 1 to 2 years		1,757	15,136	16,893
50,680	Due within 2 to 5 years		5,271	45,409	50,680
317,455	Due after 5 years		28,111	272,451	300,562
401,921	Total		36,896	348,132	385,028
	Less Interest Element				
(14,142)	Rentals due within 1 year		(932)	(13,007)	(13,939)
(13,939)	Due within 1 to 2 years		(901)	(12,818)	(13,719)
(40,424)	Due within 2 to 5 years		(2,511)	(37,139)	(39,650)
(159,120)	Due after 5 years		(7,121)	(139,054)	(146,175)
(227,625)	Total		(11,465)	(202,018)	(213,483)
	Present value of minimum lease payments	Note			
2,751	Rentals due within 1 year	12	825	2,129	2,954
2,954	Due within 1 to 2 years	12	856	2,318	3,174
10,256	Due within 2 to 5 years	12	2,760	8,270	11,030
158,335	Due after 5 years	12	20,990	133,397	154,387
174,296	Total		25,431	146,114	171,545

2018	Service elements due in future periods		St Andrews	Victoria	2019 TOTAL
£000			£000	£000	£000
5,556	Rentals due within 1 year		756	4,912	5,668
5,670	Due within 1 to 2 years		748	5,142	5,890
19,473	Due within 2 to 5 years		3,068	18,679	21,747
167,610	Due after 5 years		25,314	154,055	179,369
198,309	Total		29,886	182,788	212,674
372,605	Total commitments Amounts charged to the SOCNE		55,317	328,902	384,219
14,330	Interest charges	2			14,142
5,184	Service charges				5,557
3,985	Other charges				4,556
23,499	Total				24,255
0.00-					4
3,985	Contingent rents (included in Other Charges)				4,556

NHS Fife currently has commitments for two 30 year hard facilities management PFI Contracts: St Andrews Community Hospital (31st July 2009 to 30th July 2039) and Victoria Hospital Phase 3 (28th October 2011 to 27th October 2041). They are held as non current assets in the Board's Accounts with the Board liable to pay for the properties as, in substance, finance leases as detailed above. At the relevant contract termination dates, the buildings are handed over to the Board who then assume responsibility for the ongoing maintenance.

The buildings were built and financed by a concession company: Projco for St Andrews and Consort Healthcare for Victoria Hospital Phase 3. NHS Fife pays a fixed monthly Unitary Payment to the concession company who employ a service company to ensure the buildings are maintained to an agreed level of service specifications. This Unitary Payment is subject to annual inflation in line with the February level for the Retail Prices Index unless changes made to the contract. To date any changes to these contracts have been minimal in value. In the event that the standard of service falls below the agreed levels, the Board is entitled to make deductions from the Unitary Payment. The Board maintains the right to request the re-financing of these contracts but, as this involves significant cost to undertake, this is entirely dependent on the state of the world money markets. To date, the Board has not requested re-financing for either contract.

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### 19. PENSION COSTS

### The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Revalued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2018-19 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

#### The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

### All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

#### **National Employment Savings Trust (NEST)**

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	<b>Employee Contribution</b>	<b>Employer Contribution</b>	<b>Total Contribution</b>
1st March 2013	1%	1%	2%
1st October 2018	3%	2%	5%
1st October 2019	5%	3%	8%

	2019	2018
	£'000	£'000
Pension cost charge for the year	35,134	34,787
Additional costs arising from early retirement	290	329
Provisions / liabilities / prepayments included in the Statement of Financial Position	2,560	3,012

Pension members can chose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions

## **20. FINANCIAL INSTRUMENTS**

## 20a. FINANCIAL INSTRUMENTS BY CATEGORY

## **Financial Assets**

		Financial assets at fair value through OCI	Financial assets at fair value through profit/ loss	Total
CONSOLIDATED	Note	£000	£000	£000
AS AT 31 MARCH 2019				
Assets per Statement of Financial Position				
Investments	10		12,423	12,423
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	3,026		3,026
Cash and cash equivalents	11	775		775
		3,801	12,423	16,224
BOARD				
AS AT 31 MARCH 2019				
Assets per Statement of Financial Position				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	2,543		2,543
Cash and cash equivalents	11	512		512
		3,055	0	3,055
		Financial coasts	Financial coasts of	
		Financial assets at fair value through OCI	Financial assets at fair value through profit/ loss	Total
CONSOLIDATED (Prior Year)	Note	at fair value	fair value through	Total £000
CONSOLIDATED (Prior Year) At 31 March 2018	Note	at fair value through OCI	fair value through profit/ loss	
,	Note	at fair value through OCI	fair value through profit/ loss	
At 31 March 2018	Note	at fair value through OCI	fair value through profit/ loss	
At 31 March 2018 Assets per Statement of Financial Position		at fair value through OCI	fair value through profit/ loss	£000
At 31 March 2018  Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments,	10	at fair value through OCI £000	fair value through profit/ loss	<b>£000</b> 12,087
At 31 March 2018  Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	10	at fair value through OCI £000	fair value through profit/ loss	£000 12,087 4,105
At 31 March 2018  Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	10	at fair value through OCI £000  4,105	fair value through profit/ loss £000  12,087	£000 12,087 4,105 877
At 31 March 2018  Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.  Cash and cash equivalents	10	at fair value through OCI £000  4,105	fair value through profit/ loss £000  12,087	£000 12,087 4,105 877
At 31 March 2018 Assets per Statement of Financial Position Investments Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable. Cash and cash equivalents  BOARD (Prior Year)	10	at fair value through OCI £000  4,105	fair value through profit/ loss £000  12,087	£000 12,087 4,105 877
At 31 March 2018 Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.  Cash and cash equivalents  BOARD (Prior Year)  At 31 March 2018	10	at fair value through OCI £000  4,105	fair value through profit/ loss £000  12,087	£000 12,087 4,105 877
At 31 March 2018  Assets per Statement of Financial Position Investments  Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.  Cash and cash equivalents  BOARD (Prior Year)  At 31 March 2018  Assets per Statement of Financial Position  Trade and other receivables excluding prepayments,	10 9 11	at fair value through OCI £000  4,105  877 4,982	fair value through profit/ loss £000  12,087	£000  12,087  4,105  877  17,069

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## 20a. FINANCIAL INSTRUMENTS (CONT.)

## **Financial Liabilities**

		Financial liabilities at amortised costs	Total
CONSOLIDATED	Note	£000	£000
AS AT 31 MARCH 2019			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	171,545	171,545
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred	12		
income and superannuation		53,854	53,854
		225,399	225,399
BOARD			
AS AT 31 MARCH 2019			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	171,545	171,545
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred	12		
income and superannuation		53,816	53,816
		225,361	225,361
CONSOLIDATED (Prior Year)			
At 31 March 2018			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	174,296	174,296
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and	12		
superannuation		45,326	45,326
		219,622	219,622
BOARD (Prior Year)			
At 31 March 2018			
Liabilities per Statement of Financial Position			
PFI Liabilities	12	174,296	174,296
Trade and other payables excluding statutory liabilities	12		
(VAT and income tax and social security) and superannuation		45,306	45,306
		219,602	219,602

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### 20. FINANCIAL INSTRUMENTS, cont.

#### 20b. FINANCIAL RISK FACTORS

### **Exposure to Risk**

The NHS Board's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

Fife Health Board takes an overarching approach to risk management through its Executive lead and committee structure.

### a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with an minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

## b) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the NHS Board for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. The NHS Board is not therefore exposed to significant liquidity risks

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AS AT 31 MARCH 2019	£000	£000	£000	£000
PFI Liabilities	16,893	16,893	50,680	300,562
Trade and other payables excluding statutory liabilities	53,854			
Total	70,747	16,893	50,680	300,562
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2018	£000	£000	£000	£000
PFI Liabilities	16,893	16,893	50,680	317,455
PFI Liabilities Trade and other payables excluding statutory liabilities	16,893 45,326	16,893	50,680	317,455

## 20b. FINANCIAL RISK FACTORS (CONT)

## c) Market Risk

The NHS Board has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NHS Board in undertaking its activities.

### i) Cash flow and fair value interest rate risk

The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

### ii) Foreign Currency Risk

The NHS Board is not exposed to foreign currency risk.

### iii) Price risk

The NHS Board is not exposed to equity security price risk.

### 20c. FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

#### 21. RELATED PARTY TRANSACTIONS

The Board has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with HMRC and Scottish Public Pension Agency. No Board member, key manager or other related party has undertaken any material transactions with the Board during the year.

### Fife Integration Joint Board

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Fife Integration Joint Board was legally established from Saturday 3rd October 2015 with official commencement being 1st April 2016. Consolidation will be applied for the 2018-19 annual accounts according to the equity method of accounting under IAS 28 - Investments in Associates and Joint Ventures.

Fife Integration Joint Board is classified as a related party and the following Board members were also members of the Integration Joint Board:

- Mr S Little (until 24.10.18)
- Mr L Bisset (from 01.11.18)
- Mrs W Brown
- Mr M Black
- Mr E Clarke
- Dr F Elliot (until 28.02.19)
- Mrs H Wright
- Mrs C Cooper
- Mrs M Wells
- Dr C McKenna (from 01.03.19)

The Integration Joint Board also has Councillor members who have no related party influence on Fife Health Board.

Fife Health Board had the following related party transactions in 2018-19:

Income £418.405 million

Expenditure £425.380 million.

#### **East Central Hub Territory**

In addition to the above, NHS Fife has entered into a transaction with the Scottish Futures Trust in relation to the East Central Territory hub. Included within the Statement of Financial Position is a debtor which has been passed to the Hub company for £21k.

## **NHS Fife Endowment Fund**

The Board has endowment funds managed by Trustees who are also directors of the Board. In accordance with IFRS 10 – Consolidated Financial Statements the Board incorporates the NHS Fife Endowment Fund within the primary statements and notes to the accounts.

Details of Endowment Fund figures included in the Group Accounts are available in Note 23.

## 22. THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts.

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	2018	Gross Gross Outflows		2019
	£000	£000	£000	£000
Monetary amounts such as bank balances and monies on deposit	398	416	(310)	504
Total Monetary Assets	398	416	(310)	504

## 23a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group			Board	Endowment	Intra Group adjustment	Consolidated
2018			2019	2019	2019	2019
£000		Note	£000	£000	£000	£000
	Total income and expenditure					
329,904	Staff costs	3	342,035			342,035
	Other operating expenditure	3				
91,032	Independent Primary Care Services		96,109			96,109
129,952	Drugs and medical supplies		128,520			128,520
658,804	Other health care expenditure		667,817	1,256		669,073
1,209,692	Gross expenditure for the year		1,234,481	1,256	0	1,235,737
(448,703)	Less: operating income	4	(465,865)	(1,425)		(467,290)
760,989	Net Expenditure		768,616	(169)	0	768,447

The Fife Integration Joint Board (IJB) has been incorporated within the Group accounts, however as the IJB outturn position for 2018/19 was breakeven, there is no requirement to disclose the Board's share of any surplus or deficit.

## 23b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated			Board 2019	Endowment 2019	Intra Group adjustment 2019	Consolidated
£000		Note	£000	£000	£000	£000
2000	Non-current assets:	11010	2000	2000	2000	2000
478,216	Property, plant and equipment	SoFP	472,116	117		472,233
321	Intangible assets	SoFP	486	0		486
	Financial assets:					
12,087	Investments	SoFP	0	12,423		12,423
70,073	Trade and other receivables	SoFP	55,633	0		55,633
560,697	Total non-current assets		528,235	12,540	0	540,775
	Current Assets:					
4,660	Inventories	SoFP	5,327	0		5,327
	Financial assets:					
18,083	Trade and other receivables	SoFP	39,724	532	(49)	40,207
877	Cash and cash equivalents	SoFP	512	263		775
2,383	Assets classified as held for sale	SoFP	2,198	0		2,198
26,003	Total current assets		47,761	795	(49)	48,507
586,700	Total assets		575,996	13,335	(49)	589,282
	Current liabilities					
(11,044)	Provisions	SoFP	(34,462)	0	0	(34,462)
	Financial liabilities:					
(73,409)	Trade and other payables	SoFP	(76,830)	(87)	49	(76,868)
(84,453)	Total current liabilities		(111,292)	(87)	49	(111,330)
502,247	Non-current assets plus / less net current assets/liabilities		464,704	13,248	0	477,952
	Non-current liabilities					
(114,618)	Provisions	SoFP	(97,450)	0		(97,450)
•	Financial liabilities:		. ,			. ,
(171,545)	Trade and other payables	SoFP	(168,591)	0		(168,591)
(286,163)	Total non-current liabilities		(266,041)	0	0	(266,041)
216,084	Assets less liabilities		198,663	13,248	0	211,911

216,084	Total taxpayers' equity		198,663	13,248	0	211,911
12,498	Funds Held on Trust	SoFP	0	13,248		13,248
129,271	Revaluation reserve	SoFP	129,579	0		129,579
74,315	General fund	SoFP	69,084	0		69,084
	Taxpayers' Equity					

On consolidating the Board and Endowment Fund accounts adjustments have been required to remove the balances held with each other to ensure accurate representation of the Consolidated Statement of Financial Position. The Board accounts include a £49k debtor with the Endowment Fund. The corresponding entries on the Endowment Fund incorporate a £49k creditor to the Board.

The Fife Integration Joint Board (IJB) has been incorporated within the Group accounts, however as the IJB outturn position for 2018/19 was breakeven, there is no requirement to disclose the Board's share of any surplus or deficit.

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## 23b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION – PRIOR YEAR

		Board	Endowment	Intra Group adjustment	Consolidated
		2018	2018	2018	2018
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	SoFP	478,101	115		478,216
Intangible assets	SoFP	321	0		321
Financial assets:					
Investments	SoFP	0	12,087		12,087
Trade and other receivables	SoFP	70,073	0		70,073
Total non-current assets		548,495	12,202	0	560,697
Current Assets:	0.FD				
Inventories	SoFP	4,660	0		4,660
Financial assets:	0.FD				
Trade and other receivables	SoFP	18,102	15	(34)	18,083
Cash and cash equivalents	SoFP	542	335		877
Assets classified as held for sale	SoFP	2,383	0		2,383
Total current assets		25,687	350	(34)	26,003
Total assets		574,182	12,552	(34)	586,700
Current liabilities					
Provisions	SoFP	(11,044)	0	0	(11,044)
Financial liabilities:		(,,	· ·	· ·	(1.,01.)
Trade and other payables	SoFP	(73,389)	(54)	34	(73,409)
Total current liabilities		(84,433)	(54)	34	(84,453)
Non-current assets plus / less net current assets/liabilities		489,749	12,498	0	502,247
Non-current liabilities					
Provisions	SoFP	(114,618)	0		(114,618)
Financial liabilities:	_				
Trade and other payables	SoFP	(171,545)	0		(171,545)
Total non-current liabilities		(286,163)	0	0	(286,163)
Assets less liabilities		203,586	12,498	0	216,084

## Tax payers' Equity

General fund	SoFP	74,315	0		74,315
Revaluation reserve	SoFP	129,271	0		129,271
Funds Held on Trust	SoFP	0	12,498		12,498
Total taxpayers' equity		203,586	12,498	0	216,084

The Fife Integration Joint Board (IJB) has been incorporated within the Group accounts, however as the IJB outturn position for 2018/19 was breakeven, there is no requirement to disclose the Board's share of any surplus or deficit.

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## 23c. CONSOLIDATED STATEMENT OF CASHFLOWS

Consolidated		Board	Endowment	Consolidated
2018		2019	2019	2019
£000		£000	£000	£000
	Cash flows from operating activities			
(760,989)	Net operating expenditure	(768,616)	169	(768,447)
26,841	Adjustments for non-cash transactions	17,993		17,993
14,295	Add back: interest payable recognised in net operating expenditure	13,993		13,993
(463)	Investment income	0	(478)	(478)
17,215	Movements in working capital	1,670	(485)	1,185
(703,101)	Net cash outflow from operating activities	(734,960)	(794)	(735,754)
	Cash flows from investing activities			
(7,848)	Purchase of property, plant and equipment	(8,202)	0	(8,202)
(94)	Purchase of intangible assets	(277)	0	(277)
(1,141)	Investment additions	(0)	(256)	(256)
2,440	Proceeds of disposal of property, plant and equipment	498	0	498
962	Receipts from sale of investments	0	500	500
463	Investment Income	0	478	478
(5,218)	Net cash outflow from investing activities	(7,981)	722	(7,259)
	Cash flows from financing activities			
725,254	Funding	759,685		759,685
318	Movement in general fund working capital	(30)		(30)
725,572	Cash drawn down	759,655	0	759,655
(2,563)	Capital element of payments in respect of finance leases and on- balance sheet PFI contracts	(2,751)		(2,751)
35	Interest paid	149		149
(14,330)	Interest element of finance leases and on-balance sheet PFI / PPP contracts	(14,142)		(14,142)
708,714	Net Financing	742,911	0	742,911
395	Net Increase / (decrease) in cash and cash equivalents in the period	(30)	(72)	(102)
482	Cash and cash equivalents at the beginning of the period	542	335	877
877	Cash and cash equivalents at the end of the period	512	263	775
	Reconciliation of net cash flow to movement in net debt / cash			
395	Increase / (decrease) in cash in year	(30)	(72)	(102)
482	Net debt / cash at 1 April	542	335	877
877	Net debt / cash at 31 March	512	263	775

	Board	Endowment	Consolidated
PRIOR YEAR	2018	2018	2018
	£000	£000	£000
Cash flows from operating activities			
Net operating expenditure	(761,285)	296	(760,989)
Adjustments for non-cash transactions	26,841		26,841
Add back: interest payable recognised in net operating expenditure	14,295		14,295
Investment income	0	(463)	(463)
Movements in working capital	17,255	(40)	17,215
Net cash outflow from operating activities	(702,894)	(207)	(703,101)
Cash flows from investing activities			
Purchase of property, plant and equipment	(7,848)	0	(7,848)
Purchase of intangible assets	(94)	0	(94)
Investment additions	(0)	(1,141)	(1,141)
Proceeds of disposal of property, plant and equipment	2,440	0	2,440
Receipts from sale of investments	0	962	962
Investment Income	0	463	463
Net cash outflow from investing activities	(5,502)	284	(5,218)
Cash flows from financing activities			
Funding	725,254		725,254
Movement in general fund working capital	318		318
Cash drawn down	725,572	0	725,572
Capital element of payments in respect of finance leases and on- balance sheet PFI contracts	(2,563)		(2,563)
Interest paid	35		35
Interest element of finance leases and on-balance sheet PFI / PPP			
contracts	(14,330)		(14,330)
Net Financing	708,714	0	708,714
Net Increase / (decrease) in cash and cash equivalents in the period	318	77	395
Cash and cash equivalents at the beginning of the period	224	258	482
Cash and cash equivalents at the end of the period	542	335	877
Reconciliation of net cash flow to movement in net debt / cash			
Increase / (decrease) in cash in year	318	77	395
Net debt / cash at 1 April	224	258	482
Net debt / cash at 31 March	542	335	877
	J.2	555	0.7

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#### 24. IMPACT OF NEWLY ADOPTED IFRS ON THE FINANCIAL STATEMENTS

#### 24a. Adoption of IFRS 9

The Board has adopted IFRS 9 Financial Instruments for the first time in 2018-19. As such, the Board has assessed the business models for managing financial assets and analysed their cash flow characteristics.

To consider the impact of adopting IFRS 9, the Board conducted a review of all Trade Receivables by relevant category – other NHS Bodies, Governments Departments, Dental/ Medical Practices, Universities and Overseas Patients. From the review of debt under 90 days, the Board concluded that there was no indication that credit losses would arise from these. Following the review of debt over 90 days old, a bad debt provision has been made. The review concluded that no provision would be required for other NHS Bodies or Government Departments and other than those provided for, the remainder of outstanding debt and any future credit loss would be immaterial.

### 24b. Adoption of IFRS 15

The Board has adopted IFRS 15 Revenue from Contracts with Customers for the first time in 2018-19. In assessing the impact of adopting the standard, the Board concluded that transactions recognised are unaffected as performance obligations were met in order for recognition to take place.



#### Fife Health Board

## **DIRECTION BY THE SCOTTISH MINISTERS**

- The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.
- The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
- Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
- 4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- 5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2-12:006

# **NHS FIFE**

2018/19 Annual Audit Report - DRAFT





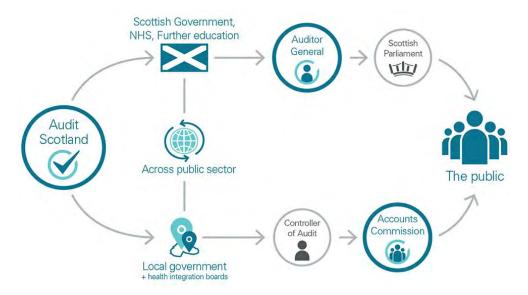
Prepared for the Board of NHS Fife and the Auditor General for Scotland 27 June 2019

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## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## **About us**

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- · reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

## 2018/19 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are all unmodified.
- We have reported issues with the process of determining the holiday pay accrual for medical and dental staff for several years and the value in the accounts (£0.15 million) is based on management's estimate, which has varied significantly in the last three years.

## **Financial management**

3 Budgetary processes are appropriate, but NHS Fife continues to rely on non-recurring savings and financial flexibility to meet financial targets with efficiency savings falling short by £8 million.

## Financial sustainability

- 4 NHS Fife has now developed a high-level three-year financial plan, although long term planning at a regional level is still unclear.
- 5 Detailed plans for short term transformation/ efficiency savings for 2019/20 are not yet prepared.

## Governance and transparency

- 6 NHS Fife has appropriate governance arrangements in place. Improvements have been made to financial and performance reporting in the year and there are plans to improve transparency further with a new website being developed.
- 7 There are still concerns over how well the health and social care partnership in Fife is working.

## Value for money

- 8 Only four of the LDP standards have been met, however this is consistent with the national position and NHS Fife has achieved a slight improvement in the performance against eight key LDP standards since last year.
- 9 Temporary staff costs have increased to £10 million despite actions to reduce this to £7 million in 2016/17

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## Introduction

- 1. This report summarises the findings from our 2018/19 audit of Fife Health Board, commonly known as NHS Fife (the Board).
- 2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit & Risk Committee on 13 December 2018. The main elements of our audit work in 2018/19 have been:
  - a review the Board's main financial systems
  - an audit of the Board's annual report and consolidated accounts for 2018/19
  - consideration of the four audit dimensions that form the wider scope of public audit set out in the Code of Audit Practice 2016 (Exhibit 1).

## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

## Adding value through the audit

- 3. We add value to NHS Fife through the audit by:
  - identifying and providing insight on significant risks and making clear and relevant recommendations for improvements
  - · reporting our findings and conclusions in public
  - sharing intelligence and good practice through our national reports (Appendix 4) and good practice guides

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- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
- **4.** We aim to help NHS Fife promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

- 5. NHS Fife has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and consolidated accounts that are in accordance with the accounts direction. The Board's annual report and consolidated accounts includes:
  - a Performance Report
  - an Accountability Report (including the Corporate Governance Report; Remuneration & Staff Report and Parliamentary Accountability Report)
  - financial statements and supporting notes.
- **6.** The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 7. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000; the <u>Code of Audit Practice</u> 2016 and International Standards on Auditing in the UK.
- **8.** As public sector auditors we give independent opinions on the annual report and consolidated accounts. Additionally, we conclude on:
  - the financial position and arrangements for securing financial sustainability,
  - the suitability and effectiveness of corporate governance arrangements,
  - the appropriateness and effectiveness of the performance management arrangements,
- **9.** Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016* and supplementary guidance.
- 10. 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 from its responsibility to address the issues we raise and to maintain adequate systems of control.
- **11.** This report contains an agreed action plan at <u>Appendix 1</u> setting out specific recommendations, responsible officers and dates for implementation. It also includes any outstanding actions from last year and reports progress against these.
- 12. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We also confirm that we have not undertaken any non-audit related services. We are not aware of any relationships that could compromise our objectivity and independence.
- **13.** This report is addressed to the Board and the Auditor General for Scotland and will be published on Audit Scotland's website <a href="www.audit-scotland.gov.uk">www.audit-scotland.gov.uk</a> in due course.
- **14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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## Part 1

## Audit of 2018/19 annual report and accounts



## Main judgements

Our audit opinions on the annual report and accounts are all unmodified.

The holiday pay accrual for medical and dental staff (£0.15 million) was significantly lower than the previous year (£0.8 million). This is based on a management estimate and a system is required to collect and collate individual leave balances for future years.

The submission of the annual report and accounts for audit was one week late and some working papers could be improved. Good support was provided to the audit team by finance staff.

Identified misstatements were significantly less than our performance materiality and there was no evidence of further systematic error.

NHS Fife has made slow progress in implementing our prior year audit recommendations.

The annual report and consolidated accounts are the principal means of accounting for the stewardship of resources and performance.

## Our audit opinions on the annual report and accounts are all unmodified

- **15.** The annual report and accounts for the year ended 31 March 2019 were approved by the Board on 26 June 2019. As reported in our independent auditor's report:
  - the financial statements give a true and fair view and were properly prepared
  - expenditure and income were regular and in accordance with applicable enactments and guidance
  - the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual report and accounts were one week late and some working papers could be improved. Good support was provided to the audit team by finance staff.

16. We received the unaudited annual report and accounts on 10 May 2019, a week later than our agreed audit timetable. NHS Fife's group accounts included the financial results of the Endowment Fund and Fife Integration Joint Board (IJB). The working papers provided were generally of a good standard but as the audit progressed we noted a number of areas where improvements could be made as:

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- there is no central location for holding the detailed working papers, which support the lead schedules (accounts template) and we had to contact a number of people before the appropriate documentation was obtained
- some spreadsheets are provided as scanned "pdf" files which can't be annotated and don't show cell formulas
- there are key person dependencies in certain areas such as capital accounting, PFI and PECOS which led to delays in getting information and responses to audit queries.
- **17.** Overall finance staff provided good support to the audit team but the areas identified above reduced the efficiency of our audit.



## Recommendation 1

NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met, working papers are available centrally and scanned pdf files are not used in preference to original spreadsheet files. Consideration should also be given to addressing the key person dependencies identified.

## Appendix 2 identifies the audit work we did to address risks of material misstatement

**18.** Appendix 2 provides our assessment of risks of material misstatement in the annual report and consolidated accounts and the wider dimension risks. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed. The appendix identifies the audit work we undertook to address these risks and our conclusions from this work.

## Overall materiality is £12 million

19. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our materiality and concluded that no changes to the planned materiality levels were required (Exhibit 2).

## **Exhibit 2 Materiality values**

Materiality level	Amount
Overall materiality	£12 million
Performance materiality	£6 million
Reporting threshold	£125,000
Source: NHS Fife Annual Audit Plan 2018/19	

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## There are three significant findings from the audit

- 20. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in Exhibit 3. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included.
- 21. The findings include our views about significant qualitative aspects of the Board's accounting practices including:

Accounting policies	Accounting estimates and judgements
Significant financial statements disclosures	Timing of transactions and the period in which they are recorded
The impact on the financial statements of any uncertainties	The effect of any unusual transactions on the financial statements
Misstatements in the annual report and accounts	Disagreement over any accounting treatment or financial statements disclosure

## Exhibit 3 Significant findings from the audit of the financial statements

#### Resolution Issue

## 1. Holiday pay accrual

The holiday pay accrual, included in the financial statements, is £0.6 million and medical and dental staff account for £0.15 million of this. NHS Fife's systems do not currently identify and collate outstanding holiday leave for individual medical and dental staff. This year's entitlement has been based on the same percentage applied to all other staff which resulted in the equivalent of one day annual leave per medical and dental employee. This was significantly lower than the maximum carry forward entitlement of five days assumed for this category of staff last year and is the lowest estimate for three years.

There is no process in NHS Fife for recording and collating individual medical and dental staff annual leave balances at 31 March which can provide further evidence of the accuracy of management's estimate. We understand that these staff may have leave entitlement periods which are not 1 April to 31 March and their leave periods may coincide with each individual's anniversary of their initial employment date. This complicates the estimate as the leave period is not consistent with other nursing, ancillary and administrative staff.

We considered the estimate included in the financial statements in accordance with ISA540 and have expressed concern in previous years about the process and basis for making this estimate.

The previous auditor reported that "In our view the board's method of estimation of the 2015/16 holiday pay accrual is flawed"

The error has not been corrected in the audited financial statements

The amount is not material to the financial statements but indicates management bias in the estimate which could impact on NHS Fife's reporting of a surplus against its Revenue Resource Limit, the financial target set by the Scottish Government's Health and Social Care Directorate.

Recommendation 2 (refer appendix 1, action plan)

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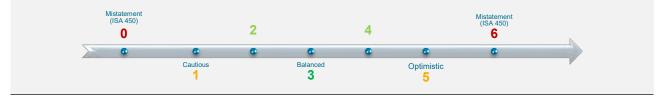
In 2016/17 we concluded that "we are unable to obtain sufficient appropriate audit evidence for management's increased accounting estimate and believe that the method of measurement used initially to determine the amount as £0.4 million is appropriate"

In 2017/18 we recommended that "the method for calculating the accrual for medical and dental holiday pay should be reviewed."

Our estimate is that the accrual should be £0.375 million, based on a midpoint assumption of 2.5 days leave per person.

Subjective area (refer to key below for qualitative assessment)	2018/19 audit assessment	2017/18 audit assessment	2016/17 audit assessment
Holiday Pay Accrual	6	2	1
	£m	£m	£m
Value included in accounts (medical and dental)	0.15	0.8	
Value in accounts (other staff)	0.4	0.4	
Total Holiday pay accrual	0.55	1.2	1.24

16/17 accrual was increased by management from £431,000 and we do not have a split of this across staff categories.



## 2. Underspend against prior year Capital Resource Limit

In 2017/18 NHS Fife purchased an industrial dishwasher for £47,000. This should have been a capital purchase, but was treated as revenue expenditure. The error was identified in October 2018 and an adjustment was made to recognise the asset in the capital asset register. The impact in the year was to reduce the amount of capital to revenue funding transfer for 2018/19. Transfers between capital and revenue funding are approved by Scottish Government, but the detail underpinning transfers is not required to support the total transfer. This adjustment was not material to the financial statements, but as the purchase was made in the previous year, it would have impacted on one of the Board's financial targets (capital resource limit (CRL)) which was underspent by only £2,000 in 2017/18.

As noted, NHS Fife has included this reclassification of expenditure in its unaudited and audited accounts in 2018/19 and the equipment is included in its asset register.

NHS Fife also obtained confirmation from the Scottish Government that a reduction in the capital to revenue transfer during 2017/18 would have been approved, had this been requested, to accommodate the higher level of capital spend. We are therefore content that CRL and RRL would have been adjusted in 2017/18 and both financial targets would have been achieved.

## 3 Indexation of provisions for early retirements and clinical/medical negligence claims

The Board has a number of provisions for early retirals which are long term liabilities. The time value of money in such cases can be material and these provisions should be discounted to reflect this. This is a two-step process accounting for both an inflation factor and a discounting (back to current value) amount. We found that the

These errors have not been corrected in the audited financial statements and are included as unadjusted misstatements in Appendix 3.

Management have confirmed that the calculation will be correctly actioned in future years.

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Issue Resolution

calculation had been incorrectly applied resulting in an over provision of £266,000 in the provision for early retirement and an understatement of £300,000 on the provision for structured clinical and medical negligence claims.

Source: 2018/19 annual accounts

# Identified misstatements of £0.8 million were significantly less than our performance materiality of £6 million and there was no evidence of further systematic error

- 22. Total misstatements identified were £0.8 million. However the impact on net expenditure was only £0.3 million (<u>Appendix 3</u>). The misstatements mainly consists of under accruals of expenditure items (calculation of the holiday pay accrual and provisions). 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. Management have not adjusted for the items in <u>Appendix 3</u> as they consider the amounts are not material in the context of the financial statements.
- 23. We have concluded that the misstatements identified arise from issues that have been isolated and identified in their entirety and do not indicate further systematic error within the account areas or more pervasively within the financial statements. We considered the impact of these misstatements on our audit approach and decided that further audit procedures were not required.

## **Data analytics**

- 24. In 2018/19 we used data analytics in NHS Fife as part of our planned audit approach. Data analytics is defined by the International Auditing and Assurance Standards Board (IAASB) as "the science and art of discovering and analysing patterns, deviations and inconsistencies.... in the data underlying.... an audit ....for the purpose of planning and performing the audit". Such techniques provide ways of dealing with high volumes of transactions as well as complexity. They also enhance audit quality and efficiency.
- **25.** Reperformance of the trial balance/ accounts classification. We obtained and analysed every general ledger transaction processed in 2018/19. The collected data was used to reperform the trial balance and confirm that the accounts agree to the ledger.
- 26. Risk tagging of individual transactions. We used a risk-tagging model to review all ledger transactions. The model incorporated factors such as value, timing and nature. We investigated high scoring transactions. The results of this testing were satisfactory.

## Follow up of prior year recommendations

27. NHS Fife has made slow progress in implementing our prior year audit recommendations with two fully achieved, three partially achieved and four outstanding. Two of the nine recommendations are dependent on actions also being taken by Fife IJB. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in <a href="Appendix 1">Appendix 1</a> or in our 2018/19 Management Report.

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## Part 2

## Financial management



## Main judgements

NHS Fife operated within its Revenue Resource Limit reporting an underspend against this of £0.26 million.

Budgetary processes are appropriate, but NHS Fife continues to rely on non-recurring savings and financial flexibility to meet financial targets with efficiency savings falling short by £8 million.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

## NHS Fife operated within its Revenue Resource Limit (RRL)

28. NHS Fife has to work within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) annually. As illustrated in <a href="Exhibit 4">Exhibit 4</a> NHS Fife reported in the annual report and consolidated accounts that it operated within all limits during 2018/19.

Exhibit 4
Reported performance against resource limits in 2018/19

	Resource Limit £m	Actual reported £m	Underspend reported £m
Core revenue resource limit	707.1	706.8	0.3
Non-core revenue resource limit	23.2	23.2	0
Total revenue resource limit	730.3	730.0	0.3
Core capital resource limit	8	8	0
Non-core capital resource limit	0	0	0
Total capital resource limit	8	8	0
Cash requirement	760	760	0

Source: NHS Fife Annual Report and Accounts 2018/19, subject to rounding for presentation purposes

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## **Budgetary processes are appropriate**

29. We reported in our 2018/19 Management Report that the financial position section of the Integrated Performance Report (IPR) has been revised for 2018/19 to increase transparency. We concluded that NHS Fife has appropriate budget setting and monitoring arrangements that allow both members and officers to carry out scrutiny of the Board's finances.

## The final outturn differed from the in-year projected overspend.

**30.** Throughout the year, budgetary reporting identified that, based on a mid-range point, an overspend was likely in NHS Fife. At 28 February 2019, the midrange forecast outturn for 2018/19 was an overspend of £2.5 million (0.3% of total revenue budget) with a best case scenario being close to breakeven. The positive improvement in the position between February and March 2019 of around £2.5 million was due to £0.9 million anticipated spends on acute services not being required and £1.6 million technical accounting adjustments including holiday pay accruals and CNORIS provisions, which increased the underspend on corporate services.

## Efficiency savings of £12 million were achieved against a target of £20 million (2.6% of net expenditure)

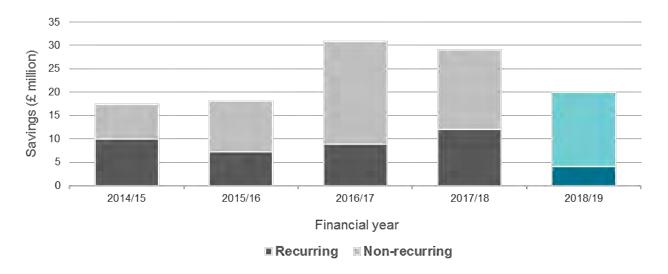
31. The NHS Fife 2018/19 budget required efficiency savings of 3% (£24 million) to be delivered, although this was subsequently reduced to £20 million on receipt of confirmation from the Scottish government that the pay uplift funding would be given on a recurring basis. The savings were allocated across acute and other Fife NHS budgets (£12 million) and budgets delegated to Fife Integration Joint Board (£8 million), neither of which were delivered in full. The non-delegated element was short by around £5 million largely due to expected savings from service redesign not being delivered and the IJB delegated element was short by around £3 million.

# NHS Fife continues to rely on non-recurring savings (including £11 million financial flexibility) and this is now the largest proportion of total savings compared to the last 5 years

- **32.** We reported in our 2018/19 Management Report that NHS Fife continues to rely on non-recurring savings (including financial flexibility of £11 million) to meet financial targets. Financial flexibility includes any new and unanticipated allocations from Scottish Government, which are not expected to be spent inyear. It also includes any budgets identified as part of budget setting that are not fully used during the year.
- **33.** NHS Fife received additional funding allocations throughout the year totalling £70 million, £54 million of this was on a non-recurring basis. Whilst this funding was significant in achieving a balanced budget in 2018/19 the significant non- recurring element means the Board has ongoing financial pressures in future years.
- **34.** As illustrated in Exhibit 5 £4 million (20%) of savings were achieved on a recurring basis this year, the remaining £16 million (80%) were non-recurring. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.
- **35.** Although, the total savings target was lower than in the previous two financial years (£29 million in 2017/18 and £31 million 2016/17), the proportion of savings being delivered on a recurring basis has fallen. See also paragraph 48 and Recommendation 3.

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Exhibit 5
Savings – recurring and non-recurring



Source: Audit Scotland Annual Audit Reports

## Systems of internal control operated satisfactorily

- **36.** As part of our audit we identify and inspect the key internal controls in the accounting systems. Our objective is to gain assurance that NHS Fife has sound systems of recording and processing transactions which provide the basis for the preparation of the financial statements.
- 37. Our findings from the review of systems of internal controls were included in the management report presented to the Audit Committee on 16 May 2019. We concluded that the financial controls put in place by management operated satisfactorily. We identified a few control weaknesses and undertook additional audit procedures during our final accounts work to confirm that the internal control weaknesses identified did not result in a material misstatement in the financial statements.

## We were unable to review results of any of the relevant planned internal audit work

38. We reviewed the Board's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. We did not plan to place formal reliance on internal audit's work to support our audit opinion. However as part of our wider dimension audit responsibilities we planned to consider nine internal audit reports but five of these were incomplete at June 2019, two were moved to next year and one was completed towards the end of our annual accounts audit and was used to inform the governance element of our group accounts work on endowments. We agreed to follow up on progress with the Internal Audit recommendations from the 2017/18 Transformation Programme Governance report as part of our interim work.

## There are appropriate standards of conduct and arrangements for the prevention and detection of fraud and error

**39.** 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.

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## NHS Fife is progressing National Fraud Initiative matches received

- **41.** 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.
- **42.** NFI activity is summarised in <a href="Exhibit 6"><u>Exhibit 6</u></a>. This shows that the exercise is ongoing in NHS Fife. Two matches have been identified as high risk as at June 2019 and these are being investigated, along with a sample of other matches. There has been a delay nationally in providing NHS bodies with creditors matches. An update on the outcome of the NFI exercise will be provided to the Audit and Risk Committee once the exercise is complete.

## Exhibit 6 NFI activity



195

Matches (as at June 2019)



2

High risk cases (as at June 2019)



0

Completed/closed investigations (as at June 2019)

Source: NFI secure website: www.nfi.gov.uk

## There are no significant issues reported by the service auditors of shared systems

43. The NHS in Scotland procures a number of service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service. We considered the content of the service auditor assurance reports and did not identify any significant issues in these shared services.

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## Part 3

## Financial sustainability



## Main judgements

NHS Fife has now developed a high level three-year financial plan. Long term planning at a regional level is still unclear.

Detailed plans for short term transformation/ efficiency savings for 2019/20 are not yet prepared and NHS Fife does not have a good track record of delivering recurring savings. Future savings targets are dependent on recurring savings and shortfalls in recurring savings could increase medium-term savings targets.

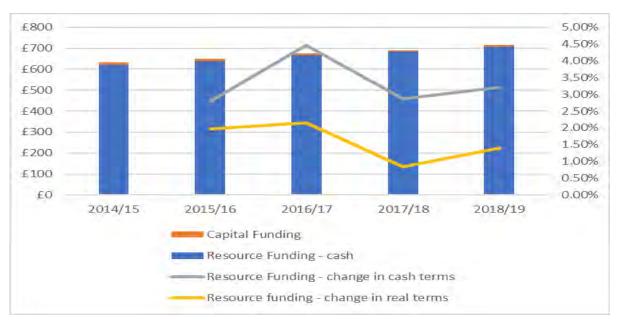
Financial sustainability looks forward to the medium and long term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Over the last four years revenue funding in real terms has grown, last year by 1.4%.

44. Revenue funding to NHS Fife from the Scottish Government has grown by 3.5% in cash terms and 1.4% in real terms compared to 2017/18 (Exhibit 7) but this includes additional funding for new developments. NHS Fife has had to manage significant financial pressures and relies on a significant proportion of new development funding each year as a source of non-recurring savings to balance its financial position. This development funding is applied to meet ongoing costs at the year-end, when the full-year funding for developments is not required, but this does not alleviate medium-term recurring pressures (paragraph 35).

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**Exhibit 7**Cash and real term core funding to NHS Fife



Source: NHS Fife accounts/ Audit Scotland

# NHS Fife has now developed a high level three-year financial plan

- 45. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.
- **46.** Medium term financial planning is being developed. NHS Fife considered a financial plan for 2019-20 to 2012-22 in March 2019. This included details of the underpinning assumptions and methodology adopted to inform the financial planning process for 2019/20 and beyond, and was the basis for the financial aspects of the Annual Operational Plan for 2019/20.

### Long term planning at a regional level is still unclear

47. The development of long-term financial planning is dependent on the work of the regional programme and regional partners. A five-year financial plan is being developed as part of the East of Scotland Regional Delivery Plan (RDP). We were informed that a draft RDP has been submitted to the Scottish Government but we have not had sight of this document and we are unable to comment on the financial planning information it may contain. As reported in 2017/18, progress with the RDP has stalled and the Board is waiting for feedback from the Scottish Government before taking this further.

# Detailed plans for short term transformation/ savings for 2019/20 are not yet fully prepared. NHS Fife does not have a good track record of delivering recurring savings

**48.** NHS Fife is required to achieve efficiency savings of £17 million in 2019/20 on a recurring basis. The majority of savings have been allocated to workstreams, such as service redesign and workforce, but the detailed plans on how these will be delivered have yet to be fully developed for 2019/20. A more detailed plan for acute services was discussed at the May 2019 Finance, Performance

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and Resources Committee meeting. Further information on the savings related to services delegated to the IJB for Health & Social Care, which were agreed by the IJB in March 2019, have yet to be considered by the NHS Board. In recent years NHS Fife has not had a good track record in achieving recurring savings (Exhibit 5).



### **Recommendation 3**

NHS Fife should ensure that detailed savings plans are developed identifying how the £17million of savings in 2019/20 will be made on a recurring basis.

# Medium-term savings targets have been identified, but these depend on achieving recurring savings

**49.** Indicative medium-term savings for future years of £6.6 million for 2020/21 and £3.5 million for 2021/22 have been identified. These do not take account of any shortfall in recurring savings from the prior year and could increase if recurring savings targets are not delivered.

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# Part 4

# Governance and transparency



# Main judgements

NHS Fife has appropriate governance arrangements

We have recommended improvements to NHS Fife's website to assist transparency and a new website is planned in 2019

Reporting of financial and performance reporting has improved

There are still concerns over how well the health and social care partnership is working

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

## Overall NHS Fife has appropriate governance arrangements

- **50.** The Board meets every two months and is supported by four governance committees: Clinical Governance; Staff Governance; Finance, Performance and Resources and Audit and Risk. Papers for Board/committee meetings are issued one week in advance so members can review these before the meeting. Since 2017, greater emphasis has been put on the committees' scrutiny role to enable the Board to focus on more strategic issues.
- **51.** There are regular board development sessions which are designed to provide members with additional information to enable them to adequately carry out their scrutiny role. An induction programme is also in place for new members.
- 52. A new self-assessment approach was put in place this year and we highlighted in our 2018/19 Management Report that this provides assurance that committees are operating effectively and some specific areas for further improvement have been identified.

# NHS Fife's Board and Committee meetings are open, but we have recommended improvements to its website to assist transparency

53. We highlighted in our 2018/19 Management Report scope to improve the openness and transparency of NHS Fife's website to ensure papers and other relevant documents could be found. There are plans to invest in a new website in 2019 to make it easier for staff and residents to find information which will improve the transparency.

### Performance reporting was fair balanced and understandable

**54.** As part of our audit, we raised several points to improve the content and balance of the performance report in the Annual Report. These included explaining the impact of the prior year reported surplus, clarifying when in-year allocations were received, consistently reporting performance measures included within the report and providing more detail on progress against

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transformation projects. These were agreed by management and the changes made resulted in a more balanced performance report.

# Reporting of financial and performance information internally and to the Scottish Government has been improved

- **55.** The financial position section of the Integrated Performance Report (IPR) has been revised for 2018/19 to increase transparency. The changes include:
  - a more comprehensive narrative summary
  - an updated savings table
  - new appendices which provide a breakdown of financial flexibility and efficiency savings, adjustments to revenue resource limit allocations, budget variances across corporate directorates and details of payments to other healthcare providers.
- **56.** Members have been encouraged to comment on any areas for improvement in the format and content of the report and/ or clarification on specific issues. The narrative included in the IPR is now provided to the Scottish Government as part of the monthly Financial Performance Return (FPR) which ensures consistency of reporting.

# There are still concerns over how well the health and social care partnership is working

- 57. We raised a number of concerns in our 2018/19 Management Report on the governance arrangements in place around health and social care in Fife. Members of the Board have expressed concerns about the operation of the health and social partnership arrangements and there appears to be further work to be done to ensure that staff, senior management and members work in partnership. The Board recognises that the governance structure of the Fife Integration Joint Board (IJB) is still under development and the Chief Executive, in conjunction with colleagues at the IJB and Fife Council, has committed to addressing this by September 2019.
- **58.** Resources to be made available to the IJB fall into two categories:
  - payments for the delegated functions and
  - resources used in "large hospitals" that are set aside by NHS Fife and made available to the IJB for inclusion in the Strategic Plan.
- **59.** The amount set aside for 2018/19 was £34 million, 4.5% of the Board's overall £727 million budget. £2 million of planned savings on the set aside budget were not achieved and the outturn position was an overspend of £3.7 million. It was expected that this budget would be transferred in full to the IJB in 2018/19 but this has been deferred.

# NHS Fife is unlikely to be compliant with General Data Protection Regulations until December 2019

**60.** NHS Fife has identified that it is not expected to be fully compliant with General Data Protection Regulations (GDPR) until December 2019. An audit is currently being conducted of the 12 GDPR areas as part of a business improvement plan, to ensure full compliance from December 2019.

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# Key dependencies exist with a small number of suppliers, with reliance on NSS and local monitoring

- **61.** The impact of underperformance or failure of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or disruptions in the continued provision of vital services.
- **62.** We identified key suppliers in our 2018/19 Management Report, with 15 suppliers accounting for £51 million (6%) of non-pay gross expenditure. These mainly consist of the PFI providers, pharmaceutical suppliers, agency staff companies and healthcare providers.
- **63.** We noted that NHS Fife places reliance on NSS National Procurement for national contracts including governance and business continuity. NHS Fife's procurement department carries out financial viability checks before awarding local contracts and continues to monitor the financial viability of suppliers on an ongoing basis. Possible issues with the supply chain are also being considered as part of NHS Fife's preparations for EU withdrawal.

# NHS Fife set up governance processes to review, assess and manage risks associated with EU withdrawal, but actions have not yet mitigated the identified risks

- **64.** There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business.
- 65. In our 2018/19 Management Report, we identified that NHS Fife has established a Brexit Assurance Group (BAG) which is supported by the NHS Fife Resilience Forum. This had identified and considered a number of areas which could be affected by EU withdrawal, including "workforce", "medicines and medical technologies" and "procurement and supply chain". The associated risks are recognised in the NHS Fife Brexit Risk Register. Each of the risk areas has been allocated to an Executive Director and appropriate scrutiny committee to monitor. There are three high, four moderate and one low risk included in the register.
- **66.** None of the Board's management actions had reduced the risk levels by 6 February 2019 (latest risk register provided).

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# Part 5

# Value for money



# Main judgements

NHS Fife has a best value framework in place

Only 4 of the 19 LDP standards are being met. However this is consistent with the national position.

Temporary staff costs have increased to £10 million and improvements in 2016/17 have not been maintained. Sickness absence rates have improved but are outwith the national performance standard.

Value for money is concerned with using resources effectively and continually improving services.

### NHS Fife has a Best Value Framework

- **67.** 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. NHS Fife approved a Best Value Framework in January 2018 covering the best value themes of:
  - · Vision and leadership
  - Effective partnerships
  - Governance and accountability
  - Use of resources
  - Performance management
  - Sustainability and equality.

### Only 4 of the 19 LDP standards are being met

- 68. The Scottish Government monitors how NHS Fife performs against the targets it sets in its national performance framework. These include the 11 targets and their trajectories (plans) as set out in NHS Fife's Annual Operational Plan (AOP). The AOP states that:
  - "where performance standards have been met in 2017/18, this will be sustained into 2018/19
  - where performance standards have not been met in 2017/18, a trajectory
    has been agreed with an action plan to bring improvements in performance
    back in line with March 2017. The performance standards planned to bring
    back in line with March 2017 are TTG, Outpatient Waiting Times, Diagnostic
    Waiting Times, CAHMS Waiting Times and Psychological Therapies
    Waiting Times."

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- **69.** The Board is kept informed of performance across all areas through the integrated performance report (IPR). Performance is reported using 23 key indicators (including 19 "LDP" Standards for 2018/19).
- **70.** The Board's performance against the 19 LDP Standards as reported in the 2018/19 Annual Report at the end of March 2019 is summarised in Exhibit 8.

Exhibit 8
Overall performance against LDP standards



Source: Annual Report and Accounts

71. We reported in our 2018/19 Management Report that NHS Fife continues to face a number of challenges in delivering performance targets with 15 performance targets (74%) categorised as red or amber. There are 12 targets that are out with acceptable standards.

# Across Scotland, NHS Boards are not meeting targets and NHS Fife is relatively consistent with national position

72. In our NHS overview report in 2017/18, we reported that nine of the fourteen (60%) territorial health boards had failed to achieve six or more of the eight key LDP targets, identified in that report. This included NHS Fife which is consistent with the majority. Exhibit 9 shows NHS Fife's performance against these eight key target in 2018/19 has improved slightly with two targets this year being met or exceeded, two being within 5% of target and four not yet achieving acceptable standards (in the previous year two were met and six were not yet achieving acceptable standards).

**Exhibit 9**Performance against eight key LDP standards

Target	standard	performance	Action being taken
Cancer 62 Day RTT	95%	93.1%	Performance was affected by staff shortages and delays to appointments for MRI, TRUS biopsy and post NDT appointments. The backlog of patients who have breached will

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Target	standard	performance	Action being taken
			result in further deterioration until the issues are resolved.
18 Weeks RTT	90%	76.9%	The Recovery Plan for 18 Weeks RTT is covered by the delivery of the Patient Treatment Time Guarantee, Diagnostics and Outpatient Waiting Times Recovery Plans; there are no new specific actions
Patient Treatment Time Guarantee (TTG)	100%	68.7%	Additional resources and elective capacity to be secured to deliver waiting time
Proportion of inpatients or day case that were seen within 12 weeks			improvement plan.
Outpatients waiting less than 12 weeks	95%	93.4%	If performance drops significantly below the Standard for 3 consecutive months, a drill-down process is instigated.
A & E attendees	95%	95.2%	Standard achieved
Cancer 31 Days RTT	95%	94.2%	If performance drops significantly below the Standard for 3 consecutive months, a drill-down process is instigated.
Drug and Alcohol 21 days	90%	96.8%	Standard achieved
CAMHS Waiting Times	90%	77.7%	Provide early intervention, improve initial assessments and increase effectiveness of signposting thus reducing the overall burden on both GPs and the Tier 3 CAMH service. Improved access to therapeutic intervention (additional provision for approximately 380 children per annum)

Note: 1. Figures still to be validated by NHS Information Services Division.

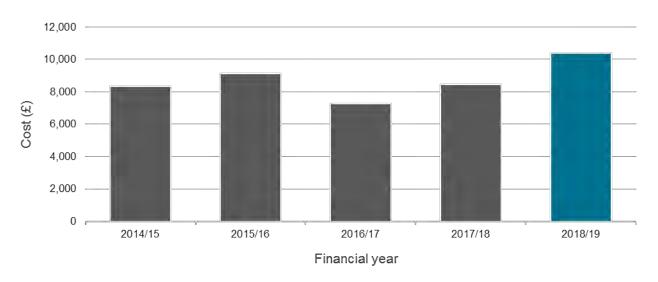
Source: NHS Fife Integrated Performance Report April 2019

# Temporary staff costs have increased to £10 million (1.3%)

**73.** As a result of recruitment/ retention problems and additional pressures to meet waiting time targets, expenditure on temporary staff has increased over the last five years, from £8 million in 2014/15 to £10 million in 2018/19 (1.3% of net expenditure), as illustrated in Exhibit 10.

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**Exhibit 10 Temporary staff costs have increased** 



Source: NHS Fife annual report and accounts

**74.** An improvement was achieved in 2016/17 following successful permanent recruitment to medical posts and applying stricter controls on the authorisation process for agency nursing, however, this improvement in the spend has not been maintained and agency costs have increased by over £3 million (40%) since then.

# Sickness absence levels have improved but exceed the national standard

**75.** NHS Fife, like most NHS boards is continuing to find it difficult to achieve the national performance standard of 4% for sickness absence despite measures to maximise attendance at work. As at March 2019 the sickness absence rate was 5.4% compared to 5.6% for the comparable period last year.

### **National performance audit reports**

- **76.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2018/19 a number of reports were published which are of direct interest to the board and are highlighted in Appendix 4.
- 77. NHS Fife has developed a framework for considering Audit Scotland's national reports. All national reports are considered and action plans prepared where considered appropriate. Progress against the action plans is reported on a biannual basis to the Executive Directors' Group and a summary report is presented to the Audit and Risk Committee, most recently in December 2018.

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# Appendix 1

# Action plan 2018/19



### No. Issue/risk



### Recommendation



# Agreed management action/timing

# 1 Timetable for unaudited accounts

We received the unaudited accounts on 10 May 2019 therefore the deadline of 3 May 2019 agreed in our annual audit plan was not met. We identified several areas where improvements to working papers or dependency on key personnel could improve the efficiency of the audit.

**Risk:** This could delay completion of the final accounts audit beyond 30 June.

NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met and a more complete set of working papers should be readily accessible. Consideration should also be given to addressing key person dependencies.

Paragraph 17

Agreed. We will review our internal timetable and key responsibilities to ensure the complete draft accounts are available on a timely basis. We accept the level of knowledge and expertise in some technical areas is held by one individual but in a small team it is difficult to have more than one person fully up to speed but where feasible, we will look to put cross over arrangements in place.

Director of Finance 31 March 2020

## 2 Holiday pay accrual

The holiday pay accrual includes medical and dental staff who have individual leave years beginning on the anniversary of their start dates. There is no centralised record of annual leave and data from individual staff are not collected. Management estimates the leave accrual for this group of staff based on the percentage applied to all other staff. This amounted to one day per medical and dental individual. In the previous year this was set as a maximum of five days. The estimate is subject to management bias

**Risk:** Expenditure is subject to manipulation through management estimates and expenditure for the year is misstated.

A method of collecting and collating a significant sample of individual balances should be introduced for medical and dental staff.

Exhibit 3 point 1

We will review the sampling method in place to determine if it is feasible to replicate the process for medical & dental staff or identify an alternative means of ensuring a robust approach for this calculation.

Deputy Director of Finance
31 March 2020

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### No. Issue/risk



### Recommendation



# Agreed management action/timing

### 3 Efficiency savings

NHS Fife is required to achieve efficiency savings of £17 million on a recurring basis from 2019/20. The majority of savings have been allocated to workstreams but the detailed plans on how these will be delivered have yet to be fully developed.

**Risk:** Financial targets will not be met as there is a lack of clarity in how the required savings will be achieved.

Detailed savings plans should be developed to ensure that NHS Fife can deliver the required savings.

Paragraph 48

There are detailed plans in place for the health budgets delegated to the Health & Social Care Partnership (c£7 million). The remaining £10 million target (for the Acute Services Division) is under review and a detailed plan requested for the Finance, Performance & Resources Committee in July 2019. Significant efforts have been made to reduce from a recurring gap of £30 million in 2016/17 to a £17 million gap for 2019/20.

Chief Operating Officer 31 July 2019

# Follow up of prior year recommendations

b/f Timetable for unaudited accounts

NHS Fife should ensure that the agreed timetable for presenting the unaudited annual report and accounts for audit is met and a complete document is provided for audit.

## Outstanding

The unaudited accounts were provided one week later than the agreed timetable. **See point 1 above.** 

# b/f Funding allocations from Scottish Government

Any funding through the RRL allocation should be accounted for as funding for the year and associated expenditure should only be recognised when a present obligation at 31 March arises from past events. NHS Fife should review its guidance and processes for assessing whether accruals are valid.

### Complete

Following last year's recommendation clarification confirmed that health and social care funding could be accrued once funding was agreed with the IJB, however the point is still relevant to acute projects.

There were no instances of expenditure being accrued to match income identified this year.

## b/f Holiday pay accrual

The method for calculating the accrual for medical and dental holiday pay should be reviewed and a method of verifying the figure developed.

### Outstanding.

The holiday pay accrual for medical and dental staff is not supported by evidence again this year. **See point 2 above.** 

# b/f Prescribing advance

NHS Fife should investigate why it is an outlier in the

#### **Outstanding**

This issue was not resolved in the year and a movement of





# Recommendation

# Agreed management action/timing

treatment of the pharmacy accrual.

£91,000 was included in this year's SOCTE. We have discussed possible options to resolve this anomaly with finance staff again this year and will follow this up during our interim work at the Board in 2019/20 with a view to resolving the issue in the 2019/20 accounts.

### b/f Efficiency savings

Detailed savings plans should be developed to ensure that NHS Fife can deliver the required savings.

### In progress

We reported in our 2018/19
Management Report that there
was no information on the
specific savings plans within
the high level workstreams
reported in the IPR nor were
there proposals to address
outstanding savings. The
Board continues to rely on
non-recurring savings and
financial flexibility to deliver a
break-even position. It was
agreed that detailed savings
plans would be developed by
May 2019. **See point 3 above** 

# b/f Health & Social Care savings

NHS Fife should work closely with its health and social care partners to ensure the required redesign of services across the Fife area is delivered.

### Outstanding

Savings across both acute and IJB services continue to be challenging and transformation is not progressing as quickly as anticipated by the Board. Actions to address this have been agreed in our 2018/19 Management Report

This will be followed up as part of our 2019/20 audit

# b/f Remuneration report disclosures

NHS Fife should review the disclosure in the remuneration report for 2018/19 and consider the inclusion of staff with the power to influence the decisions of the entity (in an advisory capacity), including the Chief Officer and Director of Acute Services and the Director of Health & Social Care.

### Complete

The remuneration report has been expanded to include four members of the senior management team who could influence decisions.

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## No. Issue/risk

### Recommendation



# Agreed management action/timing

b/f Compliance with General Data Protection Regulations

NHS Fife should take action to address compliance issues as a matter of urgency.

### In progress

We reported in our 2018/19 Management Report that the health Board is not expected to be fully compliant with GDPR until December 2019.

Management advised that NHS Fife are conducting a robust audit of the 12 areas in relation to GDPR as part of a business improvement plan, to ensure full compliance which is anticipated to be completed by no later than 31/12/19.

This will be followed up as part of our 2019/20 audit.

b/f Health & Social Care governance

NHS Fife should agree the governance structures in place with partners to strengthen these arrangements.

### In progress.

We reported on in our 2018/19 Management Report that some of the local challenges around operational and governance arrangements for the health and social care partnership have not been fully resolved. Management confirmed the governance structure of the IJB remains under development.

This will be followed up as part of our 2019/20 audit.

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# **Appendix 2**

# Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the *Code of Audit Practice 2016*.

# Risks of material misstatement in the financial statements

# 1 Risk of management override of controls

**Audit risk** 

ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.

 Review of accounting estimates.

**Assurance procedure** 

- Focused testing of accruals and prepayments including holiday pay accrual and unspent funding allocations.
- Evaluation of significant transactions that are outside the normal course of business.
- Data analytics risk assessment of ledger transactions (including journals) and testing of these.
- Testing of transactions after the year end.

Results We identified that the holiday pay accrual included an estimate for medical and dental staff which did not have adequate supporting evidence and was extremely optimistic. We estimated the impact of adjusting this would be £225,000.

Results and conclusions

Conclusion No adjustment was made to the audited accounts as it wasn't material in this context, but our view is that this could be manipulated to ensure a financial target is met. See Exhibit 3 point 1

# 2 Risk of fraud over income and expenditure

ISA240 includes an assumption of fraud over income. The vast majority of the board's income is from Scottish Government or other public sector bodies and this specific risk is rebutted.

Significant expenditure items include payments for primary care services. For example, prescribing, where claims are made by practitioners after issuing medicines and medical items to the public. We therefore identify the risk of fraud over expenditure in NHS Fife.

- Audit work on the National Fraud Initiative matches.
- Obtain assurances from the NHS Scotland Counter Fraud Service.
- Use of data analytics to identify high risk items and exceptions for substantive testing.

Results: The NFI work is ongoing as at June 2019. A report will go to committee once the exercise has been completed. To date two high risk cases have been identified and work is ongoing to investigate these.

We reviewed the assurances from the NHS Counter Fraud Service and found no issues.

There were no significant errors found through our data analytics work.

**Conclusion** We did not identify any fraud issues.

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### **Audit risk**

# **Assurance procedure**

### Results and conclusions

### 3 Estimation and judgements

There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

- Review of reports from the District Valuer to confirm asset valuations.
- Sample testing of indexation calculations.
- Sample testing of CNORIS claims and associated reimbursements.
- Verification of the CNORIS provision recognising the future liability from participating in the scheme with reference to the contribution rate provided by the CLO.

**Results**: We reviewed the reports from the District Valuer and confirmed these to asset valuations with no issues identified.

Our testing of indexation calculations identified issues with values applied to CNORIS and pension provisions. (Exhibit 3 point 3).

**Conclusion**: We identified a few errors that were not material and remain unadjusted in the audited accounts.

## 4 Funding allocations

Allocations from the Scottish Government for acute services should be accounted for as funding for the year and associated expenditure recognised only when a present obligation at 31 March arises from past events.

We reported errors in accruing expenditure to match allocations in our 2017/18 annual audit report and have since clarified the flexibility that can be afforded to IJB funding. There is a risk that unspent allocations are incorrectly accounted for in the current year.

- Use of data analytics to identify high risk items and exceptions for substantive testing.
- Sample testing of accruals at the year end.
- Ongoing review of the financial performance section in the monthly Integrated Performance Report (IPR).
   Regular communication with the Director of

Results: Our data analytics work and sample testing of accruals at year end did not identify any expenditure to match income. We reviewed a small sample of allocation letters for acute services and confirmed funding had been properly accounted for in the year.

**Conclusion**: We did not identify any inappropriate treatment of funding allocations or accrual of related expenditure.

# Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Finance

### 5 Financial position

The 2018/19 NHS Annual Operational Plan (AOP) identified a break-even position dependent on NHS Fife achieving savings of £19.6 million. The year-to-date position at the end of October 2018 was a £1.3 million overspend and a forecast yearend overspend of £2.6 million. The majority of savings identified for 2018/19 have been allocated to workstreams but the detailed plans on how these will be delivered have yet to be developed.

- Undertake follow up work on financial management. This includes reviewing progress on the delivery of savings plans and the effectiveness of in-year budget reporting.
- Monitor the development of the budget projection for the remainder of the financial year.
- Consider any contingency actions if financial balance is not to be achieved.
- Review internal audit reports on the Savings Programme (B23/19)

Results We reported in our 2018/19 Management Report that financial reporting was more transparent but that the Board continues to rely on non-recurring savings to meet its break-even target.

**Conclusion:** The financial position remains challenging, but is more transparently reported

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### **Audit risk**

### Assurance procedure

### Results and conclusions

There is a significant risk that NHS Fife is unable to deliver the savings needed to achieve its statutory break-even target.

and Financial Management (B25/19).

### 6 Financial sustainability

An initial three-year financial outlook for the period 2019/20 to 2021/22 was presented to the FPR Committee in September 2018 and updated in November 2018. This recognised a potential financial gap of approximately £10 million per annum for the next three years assuming that recurring savings from 2018/19 onwards are achieved. £19.6 million recurring savings are required this year and as at September 2018 only £3.6 million had been identified on a recurring basis. Unachieved legacy savings will increase the budget gaps further.

There is a significant risk that NHS Fife will continue to rely on non-recurring savings and be unable to deliver the savings required to achieve a balanced budget on a recurring basis over the new three-year planning and performance cycle.

- Undertake follow up work on financial planning. This work will review the reliance on and nature of non-recurring savings in year and progress and achievement of mediumterm financial plans.
- Review internal audit report on Financial Planning (B24/19).

Results –Refer to our 2018/19
Management Report. NHS Fife
does not have a long-term
financial plan. We have flagged
concerns about the on-going
reliance on non-recurring savings
and the pressure this adds to
NHS Fife's financial
sustainability.

Conclusions - NHS Fife's financial sustainability continues to be a significant challenge. A long-term financial plan has not yet been prepared, but a high level medium term financial plan has been developed.

#### 7 Best value

NHS Board Accountable
Officers have a specific
responsibility to ensure that
arrangements have been made
to secure Best Value (BV). We
have identified the following BV
risks at the board:

- Performance
  management ongoing
  challenges in meeting key
  national performance
  targets with 13 targets
  outwith acceptable
  standards in the October
  2018 IPR. NHS Fife had
  the highest sickness
  absence rate (5.8%)
  among the territorial
  boards for 2017/18.
- Workforce sustainability an ageing workforce and recruitment challenges in key specialities

- Review of a sample of performance targets considering what improvement action is being taken and how planned improvements are monitored.
- Review of NHS Fife's transformation programme to consider the scale, timetable and expected outcomes of key projects and consider the processes for community engagement, consideration of equality (EQIA), and reporting progress.
- Review internal audit report on Organisational Performance Management (B14/19).

Results: The findings from our review of performance targets and the transformation programme were reported in our 2018/19 Management Report. The internal audit report on Organisational Performance Management has been deferred to 2019/20.

Conclusions: The Board is continuing to face significant challenges in delivering its performance and financial targets and the transformation programme is not progressing as planned.

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### **Audit risk**

### **Assurance procedure**

## **Results and conclusions**

- Use of assets backlog maintenance costs have increased to £77.6m.
- Transformation and redesign, including services delivered by Fife Health and Social Care Partnership (H&SCP). There are a number of ongoing challenges to be addressed to redesign acute services and make health and social care integration effective across Fife.

# 8 Dependency on key suppliers

NHS Fife is dependent on a number of key suppliers to support essential operational activities e.g. InterSystems who provide the Patient Management System, TrakCare. There is a risk that hospital services may be disrupted if any of these suppliers encountered financial difficulties.

- We will complete a short questionnaire, prepared by Audit Scotland, to establish the extent, value and nature of key supplier dependencies that can inform the national position.
- We will review business continuity arrangements for a sample of key systems, including TrakCare.
- We will consider the arrangements in place, within NHS Fife, to monitor the ongoing financial position of key suppliers.

**Results**: The findings from our work on key supplier dependency were reported in our 2018/19 Management Report. See also paragraph 61-63.

**Conclusions**: We did not find any significant issue with dependency on key suppliers which NHS Fife is not managing.

### 9 Leadership and openness

The NHS in Scotland 2018 report, published in October 2018, highlighted the need for effective leadership and more openness across NHS Scotland. A number of non-executive members have resigned from the board in the last two years and there have also been some changes in the Executive Directors Group.

A new governance structure was introduced in 2017 with more scrutiny being undertaken at committee rather than board level. Membership of committees has changed over the period which increases the risk of a loss of knowledge and experience.

We note that the papers for the FPR Committee have not been

- We will consider compliance with the Audit Scotland guidance note on openness and transparency.
- We will consider the operation and scrutiny of committees by arranging a meeting with non-executive members to discuss any issues and explore effectiveness.
- We will continue to attend board and committee meetings.
- Our work on performance targets, the transformation programme and financial management includes consideration of the reporting and scrutiny arrangements.

Results: The findings from our work on leadership and openness were reported in our 2018/19 Management Report. NHS Fife is to introduce a new website to improve the accessibility of information. Results of committee self - assessment were generally positive.

**Conclusions**: We did not find any significant issue with the operation and scrutiny of committees.

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As the board has not evaluated these risks or prepared appropriate action plans there is a risk that it is not adequately prepared for

EU withdrawal.

#### **Audit risk** Results and conclusions **Assurance procedure** available on NHS Fife's website since October 2017. We will use guidance 10 EU withdrawal **Results**: The findings from our produced by Audit review of the work done by the The UK will leave the Scotland and review the Board for EU withdrawal were European Union on 29 March discussions and outputs reported in our 2018/19 2019. and NHS Fife is planning of NHS Fife's short life Management Report. NHS Fife for a significant impact from working group to assess had identified risks from EU this, particularly on: the extent of issues and withdrawal on 29 March 2019 but preparations for EU we did not identify any significant Maintaining services if withdrawal. there is a loss of progress in implementing the mitigating actions at that point. employees who are EU citizens or difficulties in Conclusion: NHS Fife continues recruiting people to fill to monitor the risk it has vacancies. identified relating to EU Nuclear medicine: withdrawal. diagnostic and treatment, and other scarce items. Impact on patient access to medicines and medical technologies. Procurement and the supply chain. Cross-border cooperation on public health matters. Impact on the economy.

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# **Appendix 3**

# Summary of uncorrected misstatements

# We report all uncorrected misstatements that are individually greater than our reporting threshold of £125,000.

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 <a href="Exhibit 2">Exhibit 2</a>. We are satisfied that these errors do not have a material impact on the financial statements.

No.	Account areas	Comprehensiv and expenditure		Balance shee	t
		Dr £000	Cr £000	Dr £000	Cr £000
1	Staff costs	225			
	Holiday pay accrual				225
2	Expenditure	300			
	Provisions				300
3	Provisions			266	
	Expenditure		266		
expen	pact on net diture and total rers' equity	259			259
Subtra	ct Entry 2	(300)			
Add: E	ntry 3	266			
Net im agains	pact on outturn it RRL	225			

#### Notes

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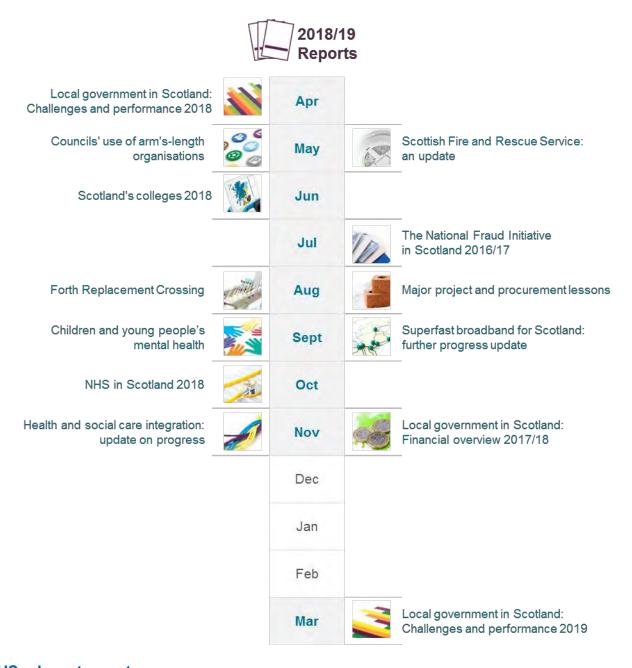
<sup>1.</sup> Entry 1. relates to a lack of evidence to support the holiday pay accrual for medical and dental staff. The assumption made by NHS Fife in the previous year was that 5 days was the best estimate of the year-end balance. The current year estimate is 1 day which gives an accrual of £150,000. Error based on 2.5 days (midpoint) less the 1 day accrued in the current year.

<sup>2.</sup> Entry 2 arises from NHS Fife's share of the CNORIS liability (provision) for participation in the scheme being understated. This arose due to errors in the application of indexation and discounting of structured settlements. This is funded from annually management expenditure which does not impact on the core RRL target.

<sup>3.</sup> Entry 3 arises from an overstatement of the early retirement pension provision due to an error in discounting the projected cashflows. This is funded from annually management expenditure which does not impact on the core RRL target.

# **Appendix 4**

# Summary of national performance reports 2018/19



# **NHS** relevant reports

Children and young people's mental health - September 2018

NHS in Scotland 2018 - October 2018

Health and social care integration: update on progress – November 2018

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# **NHS FIFE**

# 2018/19 Annual Audit Report - DRAFT

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DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Draft Letter of Representation
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)		
		For Assurance

## **SBAR REPORT**

## **Situation**

The purpose of this report is to present the draft Letter of Representation (ISA580) as part of the overall annual accounts and assurance process for 2018/19.

## **Background**

As part of the completion of the external audit review by Audit Scotland, the Chief Executive, on behalf of the Board, is required to submit to the auditor a Letter of Representation (ISA 580) in connection with the audit. This Letter seeks to provide written assurances from the Chief Executive, as Accountable Officer, on aspects of the financial statements and judgements and estimates made.

### **Assessment**

The draft Letter of Representation is attached for consideration by members of the Audit & Risk Committee; and if approved, will be recommended to the Board at its meeting on 26 June 2019. To inform this letter, a copy of the covering letter from Audit Scotland (to accompany their Annual Report) is also attached.

### Recommendation

The Audit & Risk Committee is asked to:

• approve the Letter of Representation

Objectives: (must be completed)	
Healthcare Standard(s):	Governance and assurance is relevant to all Healthcare
	Standards.
HB Strategic Objectives:	All

Further Information:	
Evidence Base:	N/A
Glossary of Terms:	
Parties / Committees consulted	
prior to Finance, Performance &	
Resources Committee Meeting:	

Impact: (must be completed)	
Financial / Value For Money	These factors are a key component of the assurance
Risk / Legal:	process
Quality / Patient Care:	
Workforce:	
Equality:	

Page 2 of 2

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### **NHS Fife Audit & Risk Committee**

20 June 2019

# NHS Fife Audit of 2018/19 annual report and accounts

## Independent auditor's report

Our audit work on the 2018/19 annual report and accounts is now substantially complete. Subject
to receipt of a revised set of annual report and accounts for final review, we anticipate being able
to issue unqualified audit opinions in the independent auditor's report on 26 June 2019 (the
proposed report is attached at <u>Appendix A</u>).

## **Annual audit report**

- 2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the NHS Fife Audit & Risk Committee's consideration our draft annual report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual report and accounts. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
- 3. This report will be issued in final form after the annual report and accounts have been certified.

## **Unadjusted misstatements**

- 4. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit other than those of a trivial nature and request that these misstatements be corrected.
- 5. We identified a number of unadjusted misstatements which, if corrected, would increase net expenditure by £0.3 million and decrease the net assets in the statement of financial position by the same amount.

### Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the NHS Fife Audit & Risk Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material noncompliance with laws and regulations affecting the entity that should be brought to our attention.

# **Representations from Accountable Officer**

- 7. As part of the completion of our audit, we are seeking written representations from the Accountable Officer on aspects of the annual report and accounts, including the judgements and estimates made.
- 8. A draft letter of representation is attached at Appendix B. This should be signed and returned to us by the Accountable Officer with the signed annual report and accounts prior to the independent auditor's report being certified.

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# **APPENDIX A: Proposed Independent Auditor's Report**

Independent auditor's report to the members of NHS Fife, the Auditor General for Scotland and the Scottish Parliament

# Report on the audit of the financial statements

### **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of NHS Fife and its group for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and
  directions made thereunder by the Scottish Ministers of the state of the affairs of the board and
  its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is five years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that
  may cast significant doubt about its ability to continue to adopt the going concern basis of
  accounting for a period of at least twelve months from the date when the financial statements are
  authorised for issue.

### Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of financial

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statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

### Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

# Report on regularity of expenditure and income

### Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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# Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scotlish Ministers.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

## Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

# Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA Audit Director Audit Scotland 4th Floor, South Suite The Athenaeum Building 8 Nelson Mandela Place Glasgow G2 1BT

June 2019

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# APPENDIX B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

Brian Howarth, Assistant Director Audit Scotland 4th Floor 8 Nelson Mandela Place Glasgow G2 1BT

### Dear Brian

### **NHS Fife**

### Annual report and accounts 2018/19

- 1. This representation letter is provided in connection with your audit of the annual report and accounts of NHS Fife for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the regularity of income and expenditure, remuneration and staff report, performance report and governance statement.
- I confirm to the best of my knowledge and belief, and having made such enquiries as I
  considered necessary, the following representations given to you in connection with your audit of
  NHS Fife's annual report and accounts for the year ended 31 March 2019.

### General

- 3. I have fulfilled my responsibilities for the preparation of the 2018/19 annual report and accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by NHS Fife have been recorded in the accounting records and are properly reflected in the financial statements.
- 4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### Regularity of Expenditure and Income

5. I confirm that, in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### **Financial Reporting Framework**

- 6. The annual report and accounts have been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.
- 7. I have ensured that the financial statements give a true and fair view of the financial position of the NHS Fife and its group at 31 March 2019 and the transactions for 2018/19.

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# **Accounting Policies & Estimates**

- 8. All significant accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2018/19 Government Financial Reporting Manual (FReM), where applicable. Where the FReM does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to NHS Fife's circumstances and have been consistently applied.
- 9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

10. I have assessed NHS Fife's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on NHS Fife's ability to continue as a going concern.

### **Assets**

- 11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2019 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
- 12. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
- 13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2019.
- 14. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
- **15.** Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

# Liabilities

- **16.** All liabilities at 31 March 2019 of which I am aware have been recognised in the financial statements.
- 17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in IAS 37 have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

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- 18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
- 19. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
- 20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### Fraud

- 21. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

# **Laws and Regulations**

22. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

23. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24 as interpreted by the FReM. I have made available to you the identity of all NHS Fife's related parties and all the related party relationships and transactions of which I am aware.

### Remuneration and Staff Report

24. The Remuneration and Staff Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland, and all required information of which I am aware has been provided to you.

### Performance report

25. I confirm that the Performance Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and the information is consistent with the financial statements.

### **Corporate Governance**

- 26. I have fulfilled my responsibilities for NHS Fife's corporate governance arrangements. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
- 27. I confirm that the Governance Statement has been prepared in accordance with the Scottish Public Finance Manual and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

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# **Group Accounts**

28. I have identified all the other entities in which NHS Fife has a material interest and have classified and accounted for them in accordance with the 2018/19 FReM. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

# **Events Subsequent to the Date of the Statement of Financial Position**

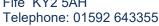
29. All events subsequent to 31 March 2019 for which IAS 10 as interpreted by the FReM requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Paul Hawkins Accountable Officer

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NHS Fife Hayfield House Hayfield Road Kirkcaldy Fife KY2 5AH



www.nhsfife.org



Brian Howarth, Assistant Director **Audit Scotland** 4th Floor 8 Nelson Mandela Place Glasgow **G2 1BT** 

26 June 2019 Date Your Ref

Our Ref

PH/CP/220519

Enquiries to Carol Potter Extension 28139

01592 648139 Direct Line carolpotter2@nhs.net Email

Dear Brian

# **NHS Fife** Annual report and accounts 2018/19

- This representation letter is provided in connection with your audit of the annual report and accounts of NHS Fife for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the regularity of income and expenditure, remuneration and staff report, performance report and governance statement.
- I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of NHS Fife's annual report and accounts for the year ended 31 March 2019.

### General

- I have fulfilled my responsibilities for the preparation of the 2018/19 annual report and accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by NHS Fife have been recorded in the accounting records and are properly reflected in the financial statements.
- I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.









Chair Tricia Marwick Chief Executive Paul Hawkins Fife NHS Board is the common name of Fife Health Board

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## Regularity of Expenditure and Income

I confirm that, in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### **Financial Reporting Framework**

- The annual report and accounts have been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.
- 7. I have ensured that the financial statements give a true and fair view of the financial position of the NHS Fife and its group at 31 March 2019 and the transactions for 2018/19.

### **Accounting Policies & Estimates**

- 8. All significant accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2018/19 Government Financial Reporting Manual (FReM), where applicable. Where the FReM does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to NHS Fife's circumstances and have been consistently applied.
- 9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

10. I have assessed NHS Fife's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on NHS Fife's ability to continue as a going concern.

#### **Assets**

- 11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2019 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
- 12. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
- 13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2019.

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- 14. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
- **15.** Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### Liabilities

- **16.** All liabilities at 31 March 2019 of which I am aware have been recognised in the financial statements.
- 17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in IAS 37 have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
- 18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
- 19. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
- **20**. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### Fraud

- 21. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who
    have a significant role in internal control, or others that could have a material effect on
    the financial statements.

### Laws and Regulations

22. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

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### **Related Party Transactions**

23. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24 as interpreted by the FReM. I have made available to you the identity of all NHS Fife's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration and Staff Report**

24. The Remuneration and Staff Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland, and all required information of which I am aware has been provided to you.

### **Performance report**

25. I confirm that the Performance Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and the information is consistent with the financial statements.

### **Corporate Governance**

- 26. I have fulfilled my responsibilities for NHS Fife's corporate governance arrangements. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
- 27. I confirm that the Governance Statement has been prepared in accordance with the Scottish Public Finance Manual and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

### **Group Accounts**

28. I have identified all the other entities in which NHS Fife has a material interest and have classified and accounted for them in accordance with the 2018/19 FReM. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

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# **Events Subsequent to the Date of the Statement of Financial Position**

29. All events subsequent to 31 March 2019 for which IAS 10 as interpreted by the FReM requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Paul Hawkins Accountable Officer

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## **Audit & Risk Committee**



DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Annual Assurance Statement to the NHS Board
EXECUTIVE LEAD:	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Report (delete as appropriate)		
		For Assurance

## **SBAR REPORT**

## Situation

The purpose of this report is to present the overarching Annual Assurance Statement to the NHS Board as part of the overall annual accounts and assurance process for 2018/19.

## **Background**

The Code of Corporate Governance requires all standing committees of the NHS Board to provide an Annual Report (Assurance Statement). As part of this Assurance Statement, each Committee must demonstrate that it is fulfilling its remit; implementing its work plan and ensuring the timely presentation of its minutes to the Board. These reports are designed to provide assurance that there are adequate and effective governance arrangements in place. Each Committee must identify any significant control weaknesses or issues at the year end which it considers should be disclosed in the Governance Statement and should specifically record and provide assurance that the Committee has carried out the annual self assessment of its effectiveness.

From these assurance statements, the Chair of the Audit & Risk Committee is able to provide a recommendation that the NHS Board should adopt the Annual Accounts

### **Assessment**

The overarching Annual Assurance Statement to the NHS Board is attached for consideration by members of the Audit & Risk Committee. This encompasses all aspects of assurances received by the Committee during the year.

Members are asked to note that this is <u>not</u> the same as the Annual Statement of Assurance for the Audit & Risk Committee presented at agenda item 10.3

### Recommendation

The Audit & Risk Committee is asked to:

approve the Annual Assurance Statement to the NHS Board

Objectives: (must be completed)	
Healthcare Standard(s):	Governance and assurance is relevant to all Healthcare
	Standards.
HB Strategic Objectives:	All

Further Information:	
Evidence Base:	N/A
Glossary of Terms:	
Parties / Committees consulted	
prior to Finance, Performance &	
Resources Committee Meeting:	

Impact: (must be completed)	
Financial / Value For Money	These factors are a key component of the assurance
Risk / Legal:	process
Quality / Patient Care:	
Workforce:	
Equality:	

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### **NHS FIFE**

### **ANNUAL ASSURANCE STATEMENT 2018/19 TO THE NHS BOARD**

### 1. INTRODUCTION

- 1.1 The Board has provided the Audit & Risk Committee with a mandate to review the internal control environment established by management and which has been in operation during the financial year. The NHS Board will therefore look to the Audit & Risk Committee for a statement summarising its findings with respect to this mandate. This Assurance Statement will inform the Board in its collective decision to:
  - approve the signing of the Governance Statement;
  - approve the signing of the Performance Report and Accountability Report in respect of the Accounts;
  - approve the adoption of the Annual Accounts;
  - approve the signing of the Letter of Representation.

### 2. GOVERNANCE STATEMENT

2.1 The Board's Accounts for the year 2018/19 include a Governance Statement as part of the Accountability Report. This states that the Chief Executive, as Accountable Officer, is responsible for:

"maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also I am responsible for safeguarding the public funds and assets assigned to the organisation".

- 2.2 The Chief Executive is also required to confirm:
  - ".... that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable."

and is

".... responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers.

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### 3. STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES

- 3.1 In addition to the responsibilities of the Chief Executive, as Accountable Officer, there is, in the Annual Accounts, a statement of Health Board Members' Responsibilities in respect of the Accounts which includes:
  - Apply on a consistent basis the accounting policies and standards approved for the NHSScotland by Scottish Ministers.
  - Make judgements and estimates that are reasonable and prudent.
  - State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
  - Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate

### 4. LETTER OF REPRESENTATION

4.1 A Letter of Representation must also be presented to the external auditors, Audit Scotland. A copy of the letter approved by the Audit & Risk Committee is attached with the Annual Accounts papers.

### 5. AUDIT & RISK COMMITTEE REMIT

- 5.1 In accordance with Scottish Government Health & Social Care Directorates guidance and its approved Terms of Reference, the Audit & Risk Committee is required to evaluate the framework of internal control and corporate governance, review the system of internal financial control, ensure that the activities of the Board are within the law and NHS regulations, monitor Best Value and present an Annual Assurance Statement to the Board to support the Chief Executive's Governance Statement.
- 5.2 In recognition of its remit, the Audit & Risk Committee has:
  - Reviewed the results of the work of Internal Audit during 2018/19;
  - Considered the Annual Internal Audit Report as presented by the Chief Internal Auditor:
  - Considered the reports of the External Auditors during the year;
  - Received reports and assurances from the Director of Finance;
  - Considered the Annual Report of the Clinical Governance Committee, the Staff Governance Committee and the Finance, Performance and Resources Committee; and
  - Had confirmation that the External Auditors have completed their audit of the Accounts for 2018/19, including reviewing the Governance Statement, and will issue an unqualified opinion in terms of a true and fair view once the Accounts have been approved by the Board.

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## 6. ASSURANCE STATEMENT

- 6.1 On the basis of the work undertaken by the Audit & Risk Committee in respect of the financial year 2018/19, the Committee considers the control environment and systems of internal control to be satisfactory and can be relied upon in:
  - approving the signing of the Performance Report and the Accountability Report in respect of the accounts and the Letter of Representation; and
  - the adoption of the Annual Accounts for the year ended 31 March 2019 by the Board.

### **MARTIN BLACK**

Chair, Audit & Risk Committee 20 June 2019

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# **Audit & Risk Committee**

DATE OF MEETING:	20 June 2019
TITLE OF REPORT:	Losses Schedule 2018/19
<b>EXECUTIVE LEAD:</b>	Carol Potter, Director of Finance
REPORTING OFFICER:	Carol Potter, Director of Finance

Purpose of the Repo	rt (delete as appropriate)	
For Decision	For Discussion	For Information

## **SBAR REPORT**

### **Situation**

As part of the Annual Accounts process and in line with the Board's Code of Corporate Governance, the Audit & Risk Committee is required to review actions taken in respect of 'Losses' recorded within the register.

# **Background**

Within the Annual Accounts, SFR 18.0 is used to record a summary of all "Losses and Special Payments" incurred by the Board. The form is a memorandum report and all losses are noted against the most appropriate definition. The schedules showing the Losses for 2018/19 (SFRs 18.0, 18.1(a), and 18.1(b)) are attached.

### **Assessment**

The report for shows a total number of cases of 868 with a value of £2.4m. This compares with 962 cases in 2017/18 with a value of £3.7m. The most significant area within the losses is the ex-gratia payments, principally relating to compensation or legal settlements. The level of clinical compensation can vary significantly from year to year depending on the timing of the settlements reached. The figure of £2.2m for 23 cases compares with payments of £3.4m for 36 cases in 2017/18.

The items included in the first section Theft / Arson / Wilful damage include the irrecoverable elements of pay and various items relating to damage to buildings and equipment whether through damage, theft or misplacement.

Item 15 identifies where debtors accounts have been written off in line with local procedures and discussion with CLO as required. The number of cases written off in 2018/19 is 657 with a value of £17k, this compare to a write off in 2017/18 of £47k, being 727 cases.

Item 30 refers specifically to accidental damage to buildings as opposed to any acts of vandalism.

SFR 18.1(b) refers to those losses above the Boards delegated limit which require approval from the Scottish Government Health and Social Care Directorates to write off.

All losses included within the Losses register require approval by the Chief Executive,

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# **Audit & Risk Committee**

Director of Finance or by Scottish Government Health & Social Care Directorates in accordance with the guidance on the Delegated Authority of NHS Boards.

# **Recommendation**

The Audit & Risk Committee is asked to:

• **approve** the actions taken to include the items on the Losses register.

Objectives: (must be completed)	
Healthcare Standard(s):	All
HB Strategic Objectives:	All

Further Information:		
Evidence Base:	NA	
Glossary of Terms:	NA	
Parties / Committees	Audit Scotland	
consulted prior to Audit & Risk		
Committee:		

Impact: (must be completed)		
Financial / Value For Money	Financial impact has been recognised as required in the statutory accounts	
Risk / Legal:	Financial gavernones of the Doord is undertaken within	
Quality / Patient Care:	Financial governance of the Board is undertaken within	
Workforce:	the context of all aspects of risk management, legal impact, patient care, workforce and equality	
Equality:	impact, patient care, worklorde and equality	

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Total

868

2 436 323

SFR 18.1(a)

	Details of Delegated Authority of NHS Boards for L FOR THE YEAR ENDED 31 MAR					
	TOK THE TEAK ENDED ST WAT		ed Authority per	case (£)		
Item No.	Category	Category 1	Category 2	Category 3		
		Board	Board	Board		
	Theft / Arson / Wilful Damage					
1	Cash	20 000	15 000	10 000		
2	Stores / procurement	40 000	30 000	20 000		
3	Equipment	20 000	15 000	10 000		
4	Contracts	20 000	15 000	10 000		
5	Payroll	20 000	15 000	10 000		
6	Buildings & Fixtures	40 000	30 000	20 000		
7	Other	20 000	15 000	10 000		
	Fraud, Embezzlement & other irregularities (including attempted fra					
8	Cash	20 000	15 000	10 000		
9	Stores / procurement	40 000	30 000	20 000		
10	Equipment	20 000	15 000	10 000		
11	Contracts	20 000	15 000	10 000		
12	Payroll	20 000	15 000	10 000		
13	Other	20 000	15 000	10 000		
14	Nugatory & Fruitless Payments	20 000	15 000	10 000		
• • • • • • • • • • • • • • • • • • • •	Claims Abandoned	20000	10 000	10 000		
15(a)	Private Accommodation	20 000	15 000	10 000		
15(b)	Road Traffic Acts	40 000	30 000	20 000		
15(c)	Other	20 000	15 000	10 000		
10(0)	Stores Losses	20 000	10 000	10 000		
	Incidents of the Service –					
	- Fire	40,000	30,000	20,000		
16	- Flood	40,000	30,000	20,000		
	- Accident	40,000	30,000	20,000		
17	Deterioration in Store	40,000	30,000	20,000		
18	Stocktaking Discrepancies	40,000	30,000	20,000		
19	Other Causes	40,000	30,000	20,000		
10	Losses of Furniture & Equipment and Bedding & Linen in circulation		00,000	20,000		
	Incidents of the Service -					
	- Fire	20,000	15,000	10,000		
20	- Flood	20,000	15,000	10,000		
	- Accident	20,000	15,000	10,000		
21	Disclosed at physical check	20,000	15,000	10,000		
22	Other Causes	20,000	15,000	10,000		
	Compensation Payments - legal obligation	20,000	10,000	10,000		
23	Clinical *	250,000	250,000	250,000		
24	Non-clinical *	100,000	100,000	100,000		
	Ex-gratia payments	100,000	100,000	100,000		
25	Extra-contractual Payments	20,000	15,000	10,000		
26	Compensation Payments - Ex-gratia - Clinical *	250,000	250,000	250,000		
27	Compensation Payments - Ex-gratia - Vinical *	100,000	100,000	100,000		
28	Compensation Payments - Ex-gratia - Financial Loss *	25,000	25,000	25,000		
29	Other Payments	2,500	2,500	2,500		
20	Damage to Buildings and Fixtures	2,500	2,000	2,000		
	Incidents of the Service					
	- Fire	40,000	30,000	20,000		
30	- Flood	40,000	30,000	20,000		
55	- Accident	40,000	30,000	20,000		
	- Accident	40,000	30,000	20,000		
31	Extra-Statutory & Extra-regulationary Payments	40,000 Nil	Nil	20,000 Nil		
32	Gifts in cash or in kind	20.000	15,000	10.000		
33+	Other Losses	20,000	15,000	10,000		

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Category 1 Boards - NHS Greater Glasgow and Clyde and NHS Lothian

Category 2 Boards - Remaining Territorial Boards (except the Island Boards), NHS National Services Scotland and the Scottish Ambulance Service

Category 3 Boards - Island Boards and remaining National Health Boards

All frauds and attempted frauds must be detailed on form SFR 18.1(c)

\* This delegated limit was revised as at 1st August 2001 HDL (2001)65

<sup>+</sup> those losses which do not broadly fall within the definitions of theft, arson, wilful damage, fraud, embezzlement and attempted fraud and would have fallen within the previous item 2 "Cash Losses – overpayments of salaries, wages and allowances" and the previous item 3 "Cash Losses - Other" should be included within this heading

NHS FIFE			SFR 18.1(b)	
DETAILS OF LOSSES AND SPECIAL PAYMENTS ABOVE DELEGATED AUTHORITY OF NHS BOARD  FOR THE YEAR ENDED 31 MARCH 2019				
Item No.	Brief Description of Each Case	Value of Loss or Payment £000	Date of Authority by SGHSCD	
26	FB2/202/203	281 200	TBC	
26	FB2/202/64	478 000	26.02.2019	
26	FB2/202/202	875 500	01.02.2019	

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