

# NHS Greater Glasgow & Clyde

Interim Audit Report 2016/17



 AUDIT SCOTLAND

Prepared for NHS Greater Glasgow & Clyde  
May 2017

## 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.

# Contents

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Audit findings	4
Introduction	4
Conclusion	4
Work summary	4
Risks identified	5
Additional follow-up work	5
Key findings and action plan 2016/17	6

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# Audit findings

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## Introduction

**1.** This report contains a summary of the key issues identified during the interim audit work carried out at NHS Greater Glasgow and Clyde ('NHSGGC' or 'the Board'). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We have placed reliance on internal audit's work, where appropriate. We will use the results of this testing to determine our approach during the 2016/17 financial statements audit.

**2.** Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

**3.** As part of our responsibilities under the Code of Audit Practice (2016), and as outlined in our annual audit plan, we are required to undertake wider dimension work across four audit dimensions: financial management, financial sustainability, governance and transparency and value for money.

**4.** Our work is progressing in these areas, which includes a review of Financial Planning and Financial Governance and a follow-up of our 2010 Role of Boards Report. We will report our findings from our wider dimension work in our Annual Audit Report, which we will present to the 20 June 2017 Audit Committee.

## Conclusion

**5.** We identified a small number of control weaknesses from our interim audit work as summarised in [Exhibit 1](#) overleaf and, if appropriate, we will be carrying out additional work in response to these findings. This will enable us to take planned assurance for our audit of the 2016/17 financial statements.

**6.** Based on our review and testing of selected financial systems, our overall conclusion is that NHSGGC has adequate systems of internal control subject to the matters raised below.

## Work summary

**7.** We performed initial systems reviews and walk through testing of the key controls identified for the main financial systems. Our 2016/17 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, our testing covered budget monitoring and control, feeder system reconciliations and controls for preventing and detecting fraud.

8. We also undertook early substantive testing of non current assets, non pay income and expenditure transactions and FHS income and expenditure transactions.



**Bank reconciliations**



**Payroll controls**



**IT access**



**Budgets**

9. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

10. As outlined in our Annual Audit Plan, we sought to place reliance on the work of internal audit. We reviewed internal audit's work on payroll, general ledger and trade payables. We were able to place appropriate reliance on aspects of internal audit's work to support our audit conclusions.

11. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Risks identified

12. The key control and wider dimension risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

13. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to the Board.

## Additional follow-up work

14. Our work on fixed assets identified one asset with an incorrect useful life. In accordance with ISA 530 'Audit sampling' in order to confirm that this was an isolated incident additional audit testing will be undertaken.

## Exhibit 1

### Key findings and action plan 2016/17

Issue identified	Management response	Responsible officer and target date
<b>Audit findings</b>		
<b>Payroll reconciliations</b>		
<p>Despite some payroll system balances, such as statutory deductions, being reconciled to the ledger, the net payroll figures are not reconciled. As a consequence, there is no check to ensure that all staff cost figures on the ledger are accurate.</p> <p><b>There is a risk that errors in data transfer are not identified resulting in inaccurate ledger data.</b></p>	<p>The net pays are reconciled as part of the bank account reconciliations by the Treasury department.</p>	<p>P Ramsay - Assistant Director of Finance</p> <p>Complete</p>
<b>Authorised signatories to change forms</b>		
<p>We reported in 2014/15 and 2015/16 that the authorised signatory list used in the payroll section was out of date. As all changes have not yet been fully bedded in across the Board, the review of this area has not yet been implemented.</p> <p><b>There is the risk of unauthorised amendments to payroll.</b></p>	<p>The completion of the authorised signatories list has been linked to the roll-out of the EEs system in NHSGGC.</p> <p>Therefore at present the payroll system uses the authorisation hierarchies that have been set up in both SSTS and E-Expenses.</p>	<p>Director Of Human Resources</p> <p>Ongoing</p>
<b>Revaluation of assets</b>		
<p>In 2014/15 NHSGGC moved to a five year rolling programme of revaluations for all its land and building assets. However, in year three of five, a formal programme identifying which assets remain to be revalued in subsequent years remains outstanding.</p> <p><b>There is a risk that not all assets are included in the revaluation cycle. This would result in asset being held on the fixed asset system at an inappropriate value leading to the financial statements being misstated.</b></p>	<p>A programme for asset revaluation does exist that is being followed in line with the 5-year rolling revaluation programme.</p>	<p>P Ramsay - Assistant Director of Finance</p> <p>Ongoing</p>
<b>Asset life assigned</b>		
<p>For all 30 asset additions tested, a review of the asset life assigned against the policy was performed. One asset G0015345 has been incorrectly assigned an asset life of 10 years however as per the accounting policies this should be 7 years.</p> <p><b>There is a risk that the asset lives assigned to assets is not in line with NHSGGC accounting policies, resulting in a misstatement of asset holding values and of depreciation charged.</b></p>	<p>This was an admin error when this asset was set up.</p> <p>The Board follows accounting policies.</p>	<p>P Ramsay - Assistant Director of Finance</p> <p>Complete</p>

Issue identified	Management response	Responsible officer and target date
<p><b>Verification of assets</b></p> <p>In our 2015/16 review of the system for accounting for property, plant and equipment (PPE) we identified that NHSGGC has no formal verification programme to verify assets on the Fixed Asset Register (FAR). From the results of our interim testing, we recognise that progress has been made however only two of the four planned exercises for 2016/17 are fully complete. Furthermore, there is no formalised plan in place for verification exercises to be undertaken in 2017/18 and future years.</p> <p><b>There is a risk that the FAR does not reflect the most up to date information on assets owned by NHSGGC. This may lead to the financial statements being misstated.</b></p>	<p>Several departments have been verified. Overall a plan will be drawn up to review the remainder.</p> <p>However it should be noted that the Board uses the EQUIP (Clinical Physics) system which covers a substantial element of medical equipment to verify existence/disposal of these assets. The Fixed Asset team have access to this system.</p>	<p>P Ramsay - Assistant Director of Finance</p> <p>September 2017</p>
<p><b>Asset disposal approval</b></p> <p>For a sample of 15 disposals tested, five of the assets, with a combined net book value of £108,244, have no evidence of the disposal being authorised. Appropriate arrangements are not in place to inform the fixed asset team of any assets disposed of.</p> <p><b>There is the risk that assets remain on the asset register after they have been disposed of, causing assets to be overstated.</b></p>	<p>To be discussed with Heads of Finance to raise awareness in relation to proper notification procedures for asset disposal.</p> <p>There is also a new procedure being developed for surplus medical equipment and furniture and the Fixed Asset manager is part of the team developing the procedure.</p>	<p>M White - Director of Finance</p> <p>September 2017</p>

Source: Audit Scotland

**15.** All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# NHS Greater Glasgow & Clyde

## Interim Audit Report 2016/17

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