



Scott-Moncrieff  
business advisers and accountants

# National Waiting Times Centre Board

Interim audit report  
2017/18

April 2018

# Introduction

1. This report concludes our 2017/18 interim audit at the National Waiting Times Centre Board (“the Board”), also known as the Golden Jubilee National Hospital, and summarises the results of our review of the key financial systems.

## Scope of our audit

2. Auditors are required to carry out the audit of financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)). To comply with the requirements of the ISAs (UK) we consider the key accounting systems and internal financial controls and determine whether these are adequate to prevent material misstatements in the financial statements.
3. Our approach includes documenting the processes and key internal financial controls within the key financial systems and performing walkthrough testing to confirm our understanding of those systems.

## Reporting to those charged with governance

4. This report has been prepared to communicate the finding of our interim audit to those charged with governance. We have agreed with the Board that these communications will be through the Audit and Risk Committee.
5. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls.
6. ISAs (UK) require us to report promptly any material weaknesses in the design or operation of internal financial controls which have come to our attention.

7. A material weakness in internal control is a deficiency in design or operation which could adversely affect the entity's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

8. This report has been discussed and agreed with the Director of Finance. As required under the Code of Audit Practice, this report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

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

## Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
11. We would like to thank all members of the Board's management and staff who have been involved in our work for their co-operation and assistance during our audit visits

# Summary of findings

## Conclusion

12. We are pleased to report that our audit work did not identify any significant deficiencies in the adequacy or design of internal financial controls over the key financial systems. We consider these systems to be well designed. However, we identified two areas with scope for improvement which, if addressed, would further strengthen the system of internal financial control.

## Review of the Board's key financial systems

13. To comply with the requirements of the ISAs we considered whether the Board's key accounting and internal financial controls are adequate to prevent material misstatements in the financial statements. During the interim audit we considered the systems and controls over:
- nominal ledger;
  - income and receivables;
  - payroll;
  - expenditure and payables;
  - cash and bank;
  - related party transactions; and
  - compliance with circulars.

## Financial Instructions and procedures

14. The Standing Financial Instructions (SFIs) detail the financial responsibilities and policies to be adopted by the Board. The SFIs are published on the Board's website and were last reviewed in 2015. The SFIs cover page states they were due for review in March 2017 but that review has not yet taken place.
15. The Board does not currently hold a comprehensive suite of detailed operational procedure notes to support the SFIs. In conjunction with recent changes to finance staffing, the lack of detailed procedures increases the risk that proper procedures are not followed in the day-to-day tasks. The standard control framework may not be applied appropriately, resulting in financial loss and/or inefficiency.

16. The SFIs should be reviewed and the Board should consider the most appropriate review timescale for this high level document. We also recommend that operational procedure notes are documented to support the SFIs.

### *Action Plan Point 1*

## Cash flow forecasting

17. The Board's Government Banking Service account was overdrawn on one occasion during 2017/18, in January 2018. This appears to have occurred due to key finance staff being unavailable to react to the non-receipt of expected income in advance of the Board's payroll run. The Board has reported that there have been no negative implications from the overdrawn position, which lasted for one morning.
18. There is a risk that reliance on key individuals will result in the Board becoming overdrawn again in future resulting in supplier payments being rejected and/or potential financial penalties.
19. We also noted that, while monthly cash flow forecasting is in place, there are currently no long-term cash flow forecasts prepared.
20. In conjunction with the documentation of operational procedure notes, the Board should ensure that adequate oversight is in place over cash balances on a daily basis and that adequate contingencies exist in order to mitigate unexpected cash flows. In addition the Board should look to develop long-term cash flow forecasts in order to better inform cash management plans.

### *Action Plan Point 2*

## Preparatory final accounts audit work

21. During our interim audit we undertook preparatory work for our final accounts audit. This included the following audit work:
- Discussions with management.
  - Review of the Board Members' registers of interests.
  - Review of the Board and Audit and Risk Committee minutes.

## Register of interests

22. [On Board, A Guide for Members of Statutory Boards](#) states that all public bodies have a duty to publish a register of board member interests. The guidance also advises that board members' personal circumstances should be reviewed regularly, and at least annually.
23. The register of interests published on the Board's website was last reviewed in March 2016 and does not show the interests of all current board members. There is a risk that potential related party transactions are not identified and disclosed in the financial statements. Additionally, the Board is not adhering to best practice as described within On Board.
24. The register of interests published on the website should be updated at the earliest opportunity.

### *Action Plan Point 3*

## Wider-scope public audit

25. We have applied our cumulative audit experience, having audited the Board since 2011/12, along with discussions at the planning and interim stages of this year's audit, to inform our understanding of the Board's arrangements as they relate to the four dimensions of wider-scope public audit: governance and transparency, financial management, financial sustainability and value for money.

26. Further work on the four dimensions of wider-scope public audit will be carried out during our final audit. We will conclude on the Board's arrangements within our annual report on the 2017/18 audit to the Board and the Auditor General for Scotland.

## Internal audit

27. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Board's total audit resource. During our interim audit we considered the findings to date from the work of internal audit to ensure there was no duplication of audit effort.

## Financial statements and the 2017/18 audit process

28. Audited NHS board financial statements must be submitted to the Scottish Government by 30 June 2018. We will continue to liaise with management to agree respective expectations and timetables for our year-end audit. Our final audit visit is planned to start in May 2018.

# Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist management in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been graded.

It should be noted that the weaknesses identified in this report are only those which have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements which may exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve the Board of its responsibility to address the issues raised and to maintain an adequate system of control

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring immediate attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention.
Grade 1	Efficiency / housekeeping point.

Action plan point	Issue & Recommendation	Management Comments
1. SFIs	<p><b>Issue identified</b></p> <p>The SFIs cover page states they were due for review in March 2017 but that review has not yet taken place.</p> <p>The Board does not currently hold a comprehensive suite of detailed operational procedure notes to support the SFIs. In conjunction with recent changes to finance staffing, the lack of detailed procedures increases the risk that proper procedures are not followed in the day-to-day tasks.</p> <p>The standard control framework may not be applied appropriately, resulting in financial loss and/or inefficiency.</p> <p><b>Recommendation</b></p> <p>The SFIs should be reviewed and the Board should consider the most appropriate review timescale for this high level document. We also recommend that operational procedure notes are documented to support the SFIs.</p>	<p>The plan for maintaining the SFIs which was approved by the Audit and Risk Committee was that individual SFIs would be updated as new guidance became available and that a full review would be undertaken every 3 years, in line with this a full review will be undertaken of the SFIs during 2018/19.</p> <p>In additional desk top procedures will be prepared for all elements of the SFIs with particular focus on the transactional processing elements e.g. Accounts Payable, Treasury etc.</p> <p><b>Responsible officer:</b> Assistant Director of Finance – Governance and Financial Accounting</p> <p><b>Implementation date:</b> October 2018 the full document will be presented to the October Audit and Risk Committee for approval and thereafter to the Board.</p>
Grade 2		

Action plan point	Issue & Recommendation	Management Comments
<b>2. Cash flow forecasting</b>	<p><b>Issue identified</b></p> <p>The Board's Government Banking Service account was overdrawn on one occasion during 2017/18, in January 2018. We also noted that while monthly cash flow forecasting is in place there are currently no long-term cash flow forecasts prepared.</p> <p>There is a risk that reliance on key individuals will result in the Board becoming overdrawn again in future resulting in supplier payments being rejected and/or potential financial penalties.</p> <p><b>Recommendation</b></p> <p>In conjunction with the documentation of operational procedure notes, the Board should ensure that adequate oversight is in place over cash balances on a daily basis and that adequate contingencies exist in order to mitigate unexpected cash flows. In addition the Board should look to develop long-term cash flow forecasts in order to better inform cash management plans.</p>	<p>The Board undertakes cash flow forecasts on a daily basis; however we accept that more detailed procedures should be put in place and will work to produce these. In addition we will ensure that all staff involved in management of cash are provided with refresher training.</p> <p>It should also be acknowledged that some elements of the cash management process are out with the Board's control, e.g. when outside parties make payments or when the Scottish Government transfer requested funds. When we became aware of the issue, it was resolved within an hour.</p> <p><b>Responsible officer:</b> Assistant Director of Finance – Governance and Financial Accounting</p> <p><b>Implementation date:</b> October 2018 the full document will be presented to the October Audit and Risk Committee for approval and thereafter to the Board.</p>
<b>Grade 2</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>3. Register of interests</b>	<p><b>Issue identified</b></p> <p>The register of interests published on the Board's website was last reviewed in March 2016 and does not show the interests of all current board members.</p> <p>There is a risk that potential related party transactions are not identified and disclosed in the financial statements. Additionally, the Board is not adhering to best practice as described within On Board.</p> <p><b>Recommendation</b></p> <p>The register of interests of interests published on the website should be updated at the earliest opportunity.</p>	<p>The Board did complete the register of interests for 2016/17 as verified at year-end; however the summary register was not published in a timely manner.</p> <p><b>Responsible officer:</b> Assistant Director of Finance – Governance and Financial Accounting/ Head of Corporate Affairs</p> <p><b>Implementation date:</b> Immediate. We will ensure that the register of interests is published as soon as is practical after the end of the financial year.</p>
<b>Grade 3</b>		



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