

NHS Education for Scotland Annual Report to Members and the Auditor General for Scotland 2008/09

For Discussion at the Audit Committee on 17th June 2009



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The principal objective of our audit procedures is to enable us to express our opinion, in line with the requirements of the Audit Scotland Code of Audit Practice, on the financial statements as a whole. Our audit opinion does not guarantee that the financial statements are free from misstatement.

Any oral comments made in discussions with you relating to this report are not intended to have any greater significance than explanations of matters contained in the report. Any oral comments that we make do not constitute oral advice unless we confirm any such advice formally in writing.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks at NHS Education for Scotland or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

1. Introduction

Purpose of this report

The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2008/09 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

Scope of the Audit

Our overall responsibility as external auditor of NHS Education for Scotland (“NES”) is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.

In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources.

It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving not only the “appointed auditor”, but also the Auditor General for Scotland and other auditors such as Audit Scotland’s Health Performance and Public Reporting Group.

Our audit has been planned and conducted to take account of these wider perspectives.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260: “*Communication of audit matters to those charged with governance*”, we are required to communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity.

This Annual Report to Members, together with previous reports to the Audit Committee throughout the year, discharges the requirements of ISA 260.

Acknowledgment

We would like to formally extend our thanks to all NES managers and staff for the assistance they have given us during the audit process.

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
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25 June 2009

2. Executive Summary

Audit Opinion and Accounting Issues (Section 3)

Our audit opinion addresses both the true and fair statement of the NES's financial statements for the year ended 31 March 2009 (2008/09) and the regularity of its income and expenditure in the year.

We are pleased to report that our opinion on the true and fair view on the financial statements is **unqualified**.

Our regularity opinion on income and expenditure is also **unqualified**.

We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared. Our opinion on the Remuneration Report is **unqualified**.

Our audit opinion does not extend to any other part of the Directors' Report.

A number of accounting issues were discussed with management during the audit. The most significant of these are set out below:

- Going concern;
- Financial instruments ; and
- International Financial Reporting Standards (IFRS).

Financial Management and Performance (Section 4)

At December 2008, NES was forecasting a potential underspend of £12.6 million. The Board agreed at its meeting in February 2009 to return £3.3 million to the Scottish Government Health Directorate to allow the funds to be redistributed. This move ensured that NES' out-turn was in line with its original financial plan.

As a result, NES reports a saving against its revised Revenue Resource Limit for the year of £9.3 million compared with the original Local Delivery Plans forecast underspend of £8.9 million.

NES achieved all 3 of its key financial targets. Financial performance is discussed in further detail with Section 4.

Financial Forecasts for 2009/10 (Section 5)

NES has prepared detailed financial forecasts as part of its long term five year financial planning. The financial forecasts for 2009/10 include projected net expenditure of £427.5 million with a predicted underspend against RRL of £9.2 million. Further details are included in section 5.

Governance and Business Risks (Section 6)

Our review of NES' governance arrangements was presented in the 2008/09 Interim Management Letter. In overall terms, NES has in place robust arrangements and is taking steps to implement changes to further enhance the governance environment.

Systems of Internal Control (Section 7)

The Code of Audit Practice requires us to review and report on NES's Statement on Internal Control. Based on our normal audit procedures, we do not disagree with the disclosures contained within the Statement on Internal Control. Section 6 includes a summary of recent developments in relation to corporate governance and risk management.

We are required under ISA 260 to report to you any material weaknesses in the accounting and internal control systems, including general computer controls identified during the audit. The results of our work on systems of internal control were communicated to Audit Committee in our Interim Management Letter on 15th April 2009 with the key findings summarized within Section 7. This also includes a summary of the progress made by NES in implementing recommendations we have made in previous years.

Recommendations

We have not identified any recommendations for reporting in our annual report.

3. Audit Opinion and Accounting Issues

Audit opinion

Our audit opinion concerns both the true and fair statement of NES' financial results for the year ended 31 March 2009 and the regularity of its income and expenditure in the year.

We are pleased to report that our opinion on the true and fair view on the financial statements is **unqualified** and that our regularity opinion on income and expenditure is also **unqualified**.

We also provide a view as to whether those parts of the Remuneration Report subject to audit have been properly prepared. Our opinion on the Remuneration Report is **unqualified**.

Our audit opinion does not extend to any other part of the Directors' Report.

Audit Process

The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided and internal review process undertaken by management were of a high standard. Overall, we believe an efficient audit process was achieved and an effective working relationship exists with your staff.

Preparation and Approval

The Financial Statements were prepared in accordance with the accounting requirements contained in the NHS Board Accounts Manual for Directors' Report and Accounts of NHS Boards and for Scottish Financial Returns, and supplementary guidance, as issued by the Scottish Government Health Directorates (SGHD) and approved by the Scottish Ministers.

The Financial Statements were considered by NES' Audit Committee on the 17th June 2009 and approved and adopted at the Board meeting on 25 June 2009.

Unadjusted misstatements

Under ISA 260 - "Communication of audit matters to those charged with governance" - we are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature (i.e. items less than £25,000 in value).

As a result of our work, we proposed a number of audit adjustments, all of which were disclosure in nature. These have all been processed by management in the final version of the 2008/09 financial statements.

Accounting Issues

A number of accounting issues were discussed with management during the audit. The most significant of these are set out below:

Net Liability on Balance Sheet

NES is currently disclosing a total net liability of £18.577 million on its balance sheet as at 31 March 2009 (2008: £20,934 million) meaning that it is technically insolvent.

Under the current accounting arrangements as set out in the Financial Reporting Manual (FRM) NES must show liabilities on its balance sheet without drawing down the equivalent cash to fund them. However, as the liabilities fall due, the cash will be requested from the SGHD to meet the payments.

We are satisfied that the accounts have been correctly prepared on a going concern basis.

Financial Instruments

From 1 April 2008, the accounting standards FRS 25, FRS 26 and FRS 29, addressing financial instruments, were applied across all NHS organisations. In very broad terms a financial instrument is a contract that gives rise to both a **financial asset** of one entity and a **financial liability or equity instrument** of another entity.

The adoption of FRS 25, 26 and 29 has resulted in increased disclosures within NES' accounts.

As part of the year end process we reviewed the disclosures presented by NES and discussed two specific requirements of the disclosure:

- The need to exclude intra-NHS balances from the financial instruments disclosure as they do not represent a contractual agreement to release funds; and

- The need to include accruals as financial instruments except where there is no contractual agreement in place or where the liability has been created as a result of a statutory requirement imposed by government (such as Employers NI contributions).

We are satisfied with disclosures made by NES in relation to FRS 25, 26 and 29.

International Financial Reporting Standards

During our interim audit we audited and agreed NES' Opening 2008/09 Balance Sheet at 1 April 2008 as part of the IFRS conversion process.

The key matter arising from the IFRS conversion process was in relation to the Knowledge Service Programme. The carrying value of this system (£467,000) was written off to the general fund as part of the IFRS work performed by NES as required at that time by the Scottish Government.

However, this policy has been subject to review and a revised policy has been presented and approved by the Financial Reporting Advisory Board (FRAB). This change in policy will permit NES to capitalise non-cash generating intangible assets which generate "future service potential" – that is, a direct contribution to the delivery of services to the public or contributing to future cost savings.

As this asset was originally correctly classified as an intangible asset under UK GAAP no further work is required on its disclosure in the 2008/09 financial statements.

4. Financial Management and Performance 2008/09

	£m	£m
Recurring income	393.8	
Recurring expenditure (before savings)	(395.1)	
Recurring savings	<u>9.3</u>	
Underlying recurring surplus / (deficit)		8.0
Non-recurring income	12.5	
Non-recurring expenditure (before savings)	(11.2)	
Non-recurring savings	<u>0.0</u>	
Non-recurring surplus/(deficit)		<u>1.3</u>
Financial surplus/(deficit) for the year		<u>9.3</u>
Underlying recurring surplus / deficit as a percentage of recurring income		<u>2.03%</u>

Figures confirmed by Caroline Lamb, Director of Finance and Corporate Resources

Performance during 2008/09

An analysis of the overall surplus of £9.3 million for the year is given in the table to the left. This highlights the levels of recurring savings (£9.3 million) at year end.

The surplus reported includes a carry forward from 2007/08 of £8.9 million meaning expenditure incurred during the year was £400,000 less than the revised in-year allocation.

At December 2008 NES was forecasting a potential underspend for the year of £12.6 million. The Board agreed at its meeting in February 2009 to return £3.3 million (primarily in relation to training grade doctors) to the Scottish Government Health Directorate to allow the funds to be reallocated. This ensured that NES' out-turn was in line with its revised financial plan.

NES has received confirmation that it will be able to carry forward its £9.3 million surplus into 2009/10

Performance Against Budget 2008/09

The table below sets out NES's performance against its original budget. We do not express a specific audit opinion upon these figures which have been extrapolated from various reports and discussions with management.

Actual Out-turn versus Original Plan	£'000	£'000
Budget surplus for year 31 March 2009		8,900
Additional Allocations		
Healthcare Scientists	1,000	
Other Cumulative	<u>885</u>	1,885
Anticipated Cost Pressures not Materialising		
Double Running Costs	850	
GP Remedial Posts	800	
Agenda for Change - Psychology Assimilation	500	
Additional Underspend – GP Travel	<u>1,200</u>	3,350
New Projects		
Senior Charge Nurses	500	
IM&T	332	
Knowledge Services	590	
Other	<u>100</u>	(1,522)
Funding returned to SGHD		(3,300)
Actual Surplus Reported 31 March 2009		9,300

At the start of 2008/09 NES brought forward a surplus of £8.9 million from the previous financial year. In March 2008 NES approved a breakeven budget for 2008/09 which anticipated, in effect, that the £8.9 million surplus brought forward would be retained at the end of the financial period 2008/09 albeit the component parts of this underspend would change.

This table highlights a number of budget variances that resulted in NES returning £3.3 million of funding to the Scottish Government Health Directorate during February 2009.

Additional Allocations

One factor which contributed to the underspend position are new allocations which NES received during the year but where any significant spend in-year was unlikely. These include the £1 million for Healthcare Scientists and a number of additional allocations (10 in total) which amounted to £885,000.

Cost Pressures not Materialising

NES identified at the start of the year a number of financial risks that related to the implementation of Modernising Medical Careers including the forecast estimates of doctor vacancies at 1 August 2008 which could result in excess medical recruitment. This cost did not materialise to the extent that NES had provided and as a result an underspend of £850,000 was identified.

At the start of the year NES was concerned about a significant cost pressure in relation to the terms and conditions negotiated for GPST1s and the need for remedial training for a high number of GPST3s. The combined provision for these costs did not materialise in full during the year resulting in an underspend on GP Remedial posts of approximately £800,000.

At the start of the year, psychology trainees had not been assimilated to Agenda for Change. The assimilation of psychology trainees to agenda for change is currently ongoing at territorial Boards however the actual costs to NES in 08/09 was less than budgeted contributing a further £500,000 to the underspend.

From August 2008 NES moved from paying a flat rate travel and subsistence allowance to all GPSTs in practice to paying actual expenditure based on claims submitted. This has resulted in an unexpected saving on this budget, amounting to £1.2 million for the period from August 2008.

Additional Expenditure for New Projects

The underspends discussed above have been partly offset by additional costs for projects not previously identified. This included a contribution to the Aberdeen Dental School, e-library knowledge services, and the Senior Charge Nurse Review, recommended to NES in the minutes of the Finance and Performance Management Committee.

Underspend Carry Forward

Approval has been received to carry forward the full amount of NES' underspend to be allocated as follows:

	£'000
Funding to be carried forward for Dental Action Plan	3,600
Funding to be carried forward for Audiology	1,500
Funding to be carried forward for Healthcare Scientists	900
General Underspend	3,321
Total Underspend	9,321

Performance against Key Financial Targets

NES is required to meet three targets each year as set by the Scottish Government Health Directorates (SGHD) as follows.

	Limit set by SGHD £'000	Actual Outturn £'000	Variance (over)/under £'000
Revenue Resource Limit	406,299	396,978	9,321
Capital Resource Limit	437	437	0
Cash Requirement	399,900	399,818	82

NES has achieved its three key financial performance targets

Capital Expenditure

The majority of the Capital Resource Limit was spent on the Mobile Clinical Skills Unit which was launched on 25 November 2008.

Asset Disposals

NES made no significant asset disposals during the year.

5. Financial Forecasts for 2009/10

2009/10 Projected Outturn

	£m	£m
Recurring income	412.9	
Recurring expenditure (before savings)	(412.9)	
Recurring savings	<u>5.2</u>	
Underlying recurring surplus / (deficit)		5.2
Non-recurring income	14.6	
Non-recurring expenditure (before savings)	(14.6)	
Non-recurring savings	<u>4.0</u>	
Non-recurring surplus/(deficit)		<u>4.0</u>
Financial surplus/(deficit) for the year		<u>9.2</u>
Underlying recurring surplus / deficit as a percentage of recurring income		<u>1.26%</u>

Figures confirmed by Caroline Lamb, Director of Finance & Corporate Resources

This table highlights NES' projected out-turn for 2009/10. This incorporates the carry forward from 2008/09, meaning it is projecting an in-year break even position.

The SGHD has confirmed that for 2009/10 NES will receive an uplift on its baseline of 3.15% and will be required to generate efficiency savings of 2%. These savings can be retained for re-investment in other activities.

In setting its budgets for 2009/10 NES has identified new investments including those funded from efficiency savings as follows:

- (i) Building Workforce Capacity: £1.9 million (mostly non-recurrent funding);
- (ii) Educational Infrastructure : £566,000 (mostly recurrent funding); and
- (iii) NES Infrastructure: £615,000 (around one third of this is recurrent funding).

Future Cost Pressures

A number of future cost pressures have been identified in the 2009/10 budget as follows:

- The recurrent cost impact of psychology trainees being assimilated to Agenda for Change Band 7;
- The unknown outcome of the Doctors' and Dentists' Review Board recommendation for junior doctor pay. – NES has made a provision of £2.2 million although the cost is not expected to reach this level;
- A number of new allocations included in anticipated income in the year which are not yet confirmed with certainty.

6. Governance and Business Risks

We comment on the following areas throughout this section of the report:

- Overall Governance Arrangements
- Partnership Working
- Service Sustainability
- Performance Management
- Financial Management and Performance
- People Management
- Information Management
- e-Health Plans

We have also reported in detail on a number of these areas in our Interim Management Letter (IML) for 2008/09 submitted to the Audit Committee on 15th April 2009.

Overall Governance Arrangements

NES has in place a well established integrated governance framework, with NES supported by Audit, Staff Governance, Educational Governance, Remuneration, Education Research Governance and the Finance & Performance Management committees. Further support is provided by the Partnership Forum and the Business Group.

During the year there were a number of changes in key management staff. In January 2009, the Director of Finance and Corporate Resources was also appointed as Deputy Chief Executive and a new Director of Human Resource was appointed as of 4 May 2009.

NES is scheduled to participate in the NHS QIS assessment of clinical governance and risk management in November 2009. Work is well underway in preparation for this visit.

Partnership Working

In our 2008/09 Interim Management Letter we reported on the progress made by NES in establishing appropriate structures and processes to help deliver its partnership working.

Partnership working is integral to the delivery of NES' objectives with key partners including the higher education sector and Scotland's colleges; professional organisations such as the Royal Colleges; statutory organisations such as the General Medical Council; the Health Professionals Council and the Nursing and Midwifery Council; and other educational organisations such as the Scottish Funding Council and Skills for Health.

NES also works in partnership with other NHS organisations and cross-sectoral links are in place with organisations outside the NHS also, such as the Scottish Social Services Council.

In Partnership with the Scottish Funding Council

During 2008/09 a Memorandum of Understanding has been established with the Scottish Funding Council with an agreed action plan. The purpose of this MoU is to ensure that the two organisations complement and strengthen each other's respective roles and functions in seeking to meet the priorities set out in Better Health, Better Care, Skills for Scotland and A Lifelong Learning Strategy. The objective is to develop joint ways of working to help meet the skills needs of the health sector, avoid duplication of effort and resources, and wherever possible, seek to foster collaboration between the key stakeholders.

NES and SFC have jointly funded a post with responsibility for ensuring the effective communication between the two organisations and to manage elements of Joint Action Plans.

Impact of Single Outcome Agreements

Due to the nature of its business NES has very little direct interaction with local authorities and as a result has not been impacted by Single Outcome Agreements.

Service Sustainability

NES has a shared vision of where the organisation will be in the next 3-5 years. The 3 year plan is developed annually to document the overall strategy of the organisation based on the Scottish Government requirements for Better Health, Better Care.

The vision for 2008/09 has been documented in both the Corporate and 3 year plan both of which have been approved by NES.

For 2009/10, NES is continuing to take on additional responsibilities which include:

- Continued development of Healthcare Scientists;
- Higher Clinical Science training scheme transferred from National Shared Services (NSS);
- Leadership and Management Training Scheme transferred from the Scottish Government; and
- Quality management for the pre-registration nursing contract.

Financial Management

The Board takes ownership for the financial plan submitted to the SGHD and the budget for 2009/10 has been approved by the Board and the Finance and Performance group.

Budgetary control is critical to the robustness of any financial management systems. We are pleased to report that sound budgetary control is in place at NES.

The financial position of NES is monitored at Business Group level on a monthly basis with reports to the Finance and Performance Management Committee and the Board in line with their timetable of meetings.

Performance Management

The performance management system is based on a dashboard reporting tool which allows performance information to be captured and monitored against targets at every level of the organisation. This includes information on NES' performance against both its overall strategic objectives and its performance against its Local Delivery Plan and associate HEAT targets.

The organisation is currently implementing a Project Management system which will allow good practice to be shared across NES.

Performance Management has been discussed in greater detail in our 2008/09 Interim Management Letter

People Management

Staff Governance Review

As part of a national performance study, we undertook a review of the staff governance action plan with the objective of ensuring that the staff governance action plan in place at NES addressed issues arising from:

- Staff Survey results;
- Mandatory SWISS statistics on people management; and
- Outstanding issues from the previous year's action plan.

The outcome of this work was reported separately to the Acting Director of HR. The key issues arising were:

- (i) Actions to address five of the 24 self assessment audit tool criteria had not been given a specific timescale implementation, instead being classed as "ongoing" or to be performed "during 2009".
- (ii) Two actions which were not fully implemented during 2008/09 and had not been carried forward into the 2009/10 plan.

We will follow up these recommendations as part of our 2009/10 audit procedures.

Agenda for Change

NES has completed the Agenda for Change job assimilation process with staff being notified of their new pay grades/ scales. To date there has been no negative impact on NES to date in terms of staff leaving.

Equal Pay

NES is committed to equal pay and has published an Equal Pay Statement on its' extranet. The risk of non-compliance with the Equal Pay Act is included in the NES global risk register and measures have been put in place to ensure compliance, including an equal pay audit.

NES has received no claims relating to equal pay and therefore has not disclosed any potential contingent liability in the 2008/09 financial statements.

Absence Management

NES achieved a sickness absence rate of lower than the 4% target for the year ended 31 March 2009. This target is being closely monitored by the Business Group along with HR.

Information Management

Best Value audits are being carried out across the public sector to help protect taxpayers interests by examining the use of resources and to report on the delivery of outcomes for people who use services. The Best Value audits are being carried out in a cycle focusing on distinct areas each year.

In 2008/09 the Use of Resources Best Value audit focused on Information Management and involved a detailed toolkit prepared by Audit Scotland.

A summary of NES' assessment against the 5 key areas of the toolkit is summarised below:

Information Management Toolkit Module	Evaluation
Information Governance and Leadership	Better Practices
Information for Decision Making	Better Practices
Service Delivery	Basic Practices
Compliance and Control	Better Practices
Knowledge Management	Basic Practices

The detailed findings will be reported separately to management. However, the key findings are as follows:

- Whilst quality control checks are strong in certain departments, for example Finance, practices are not formalised and uniform across the organisation;
- NES is in the process of producing an information asset register; and
- The costs of information production for both internal and external stakeholders are not calculated nor monitored at NES.

No instances of non-compliance with information governance standards were noted during our review.

E-Health Agenda

NES is involved in national IT initiatives supporting the eHealth agenda. A Caldicott guardian and an information governance officer have both been appointed.

Information Technology General Computer Controls

As reported in our 2008/09 Interim Management Letter, Internal Audit issued a report during the year highlighting a number of weaknesses in the current continuity and contingency plans in place at NES.

NES has put in place an action plan to address these weaknesses and progress against these actions is being monitored by the Audit Committee.

7. Systems of Internal Control

Statement on Internal Control

The Code of Audit Practice requires us to review and report on NES' Statement on Internal Control.

NES has used the correct format for its Statement and has outlined the processes it has employed to identify and evaluate risks. In addition, key elements of NES' control framework have been highlighted.

The Statement also outlines one main area where NES plans to improve internal control:

- **Business Continuity Planning** – following an internal audit report with a 'limited assurance' opinion, NES is working towards an action plan which involves agreeing relative priorities in each geographical location and building these into local Business Continuity Plans. The plans will then be re-tested. It is anticipated that this work will be completed by the end of September 2009.

Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

Systems of Internal Control

We are required under ISA 260 to report to you any material weaknesses in the accounting and internal control systems, including general computer controls identified during the audit. The results of our work on systems of internal control were communicated to Audit Committee in our Interim Management Letter on 15th April 2009.

The report contained twelve recommendations to improve controls (which include 3 recommendations not fully implemented in prior year), two of which were graded as higher risk:

- The move to the eFinancial system and the resultant backlog of work as staff become familiar with new systems and processes has meant that Accounts Payable and Accounts Receivable reconciliations have not been carried out. A system issue, which is being addressed with the assistance of NHS Ayrshire & Arran consortium and the Cedar Open Accounts (COA) team, has meant that the bank reconciliation has not been completed; and
- The NES business continuity plan and disaster recovery plan is not fit for purpose. This work is now being progressed by NES as a matter of priority with appropriate scrutiny being provided by the Audit Committee.

We followed up the first recommendation at the year end audit stage and were satisfied that the weaknesses regarding completion of reconciliations had been rectified at the year end and all reconciliations were up to date.

NES has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will follow up this action plan during our 2009/10 audit.

Follow up of outstanding recommendations

We followed up NES' progress in implementing recommendations made in the prior year. Our Follow Up Report was considered at the Audit Committee meeting on 15th April 2009.

At the time of reporting, of the eight agreed actions, progress was as follows:

Status	Annual Report to Members 2007/08	Interim/Final Management Report 2007/08	Follow Up Report 2007/08	Total
Action Implemented	3	1	0	4
Action in Progress	0	3	1	4
Limited/Little Progress to Date	0	0	0	0
No Longer Applicable	0	0	0	0
Total	3	4	1	8

National Fraud Initiative

NES is taking part in the 2008/09 NFI exercise across Scotland, having submitted payroll information to the NFI database in October 2008. The NFI database has now identified matches and reports have been available to NES from 11 February 2009 for investigation.

NES is focussing on the small number of recommended matches identified from the payroll dataset submitted and these are currently being investigated by the HR Officer under the supervision of the NFI key contact.

A listing of recommended matches was communicated verbally to the Audit Committee during April 2009 with the intent that a formal paper will be presented to the Audit Committee on completion of the investigation process.

Although NES staff do not have a formal timetable in place, it is expected that the matches will be fully investigated and presented to the Audit Committee within the next four months.

Internal audit

The role of internal audit is determined by management and therefore its objectives differ from ours. It is part of our approach to gain an understanding of the internal audit function to determine if it would be effective and efficient to use their work.

During 2008/09 Bentley Jennison continue to act as NES' internal auditors. We have reviewed the work of internal audit and have, where appropriate, placed reliance on their work, specifically:

- Business continuity planning;
- Finance system;
- Orders, Receipts and payments;
- Payroll; and
- Forecasting.

Freedom of Information Act (Scotland) 2002

In the event that, pursuant to a request which the institution has received under the Freedom of Information Act (Scotland) 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), NHS Education for Scotland is required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. NHS Education for Scotland agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, NHS Education for Scotland discloses any of this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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