

NHS Greater Glasgow and Clyde

2019/20 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of NHS Greater Glasgow and Clyde and the Auditor General for Scotland

30 September 2020

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Key messages

2019/20 annual report and accounts

- 1** The financial statements of NHS Greater Glasgow and Clyde give a true and fair view of the state of affairs of the health board as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.
- 2** The financial statements include an explanatory paragraph within Note 1 - Accounting Policies, describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation report for land and buildings for the Health Board. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.
- 3** The timing of the impact of Covid-19 coincided with the financial year end. This led to significant challenges for the finance department to maintain financial services whilst completing year end accounts closedown processes and the financial statements preparation. We received the template version of the accounts by the revised date but the unaudited Performance and Accountability Reports were received later in the audit process. The opportunity exists for officers to review and refine its project management approach to the preparation and delivery of the reporting aspects of the Annual Accounts package.

Financial management

- 4** NHS Greater Glasgow and Clyde operated within its Revenue Resource Limit reporting an underspend of £0.238 million. This was in line with the three-year financial plan which aims to achieve financial balance each year.
- 5** The board has appropriate budget processes, but NHS Greater Glasgow and Clyde continues to rely on significant levels of non-recurrent savings to achieve in-year financial balance and the boards underlying deficit increased to £55 million at the end of 2019/20.

Financial sustainability

- 6** NHS Greater Glasgow and Clyde has a three-year, medium-term financial plan. This identifies a significant financial funding gap of £361.9 million over the next three years.
- 7** The board recognise that system wide transformation will be required to achieve medium to long term financial balance. The Moving Forward Together programme and the board's plans for re-mobilisation aim to deliver transformational change and service redesign. The longer the delay in implementing plans then the greater risk there will be that the plans are no longer sufficient to address the growing challenge.

- 8** The COVID-19 outbreak has had an impact on the short-term finances of NHS Greater Glasgow and Clyde. The impact of this in medium/longer term planning is currently being evaluated by the board.

Governance and transparency

- 9** NHS Greater Glasgow and Clyde has appropriate and effective governance arrangements in place. Changes in governance arrangements due to the impact of Covid-19 involved the temporary suspension of the standing committee structure and the establishment of an Interim Board in March 2020.
- 10** NHS Greater Glasgow and Clyde were escalated to Level 4 of the NHS Scotland Board Performance Escalation Framework in November 2019. This was initially in relation to infection prevention, management and control at the Queen Elizabeth University Hospital and Royal Hospital for Children and the associated communication and public engagement. This was then extended in January 2020 to include scheduled care, unscheduled care, primary care out of hours, finance, culture and leadership.

Value for money

- 11** NHS Greater Glasgow and Clyde has a clear performance management framework in place that supports the board in its drive to deliver value for money and focusses attention on the boards ambition to continuously improve.
- 12** The board continues to experience challenges in achieving key national performance targets. The COVID -19 pandemic led to routine elective work being suspended although we note that it was on track to meet its targets for elective and unscheduled care. However, the board achieved some performance standards and recognised improvements in performance against other standards. The board continues to demonstrate its commitment to service improvement through the development of improvement plans for the delivery of elective care.

Introduction

1. This report summarises the findings from our 2019/20 audit of NHS Greater Glasgow and Clyde (NHSGGC). The scope of our audit was set out in our Annual Audit Plan presented to the 10 December 2019 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the body's annual report and accounts
- consideration of the wider dimensions that frame the scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

2. The main elements of our audit work in 2019/20 have been:

- an audit of NHS Greater Glasgow and Clyde's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- a review of NHS Greater Glasgow and Clyde's key financial systems
- consideration of the four audit dimensions

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, NHS Greater Glasgow and Clyde has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into the 2020/21 financial year and beyond. This has had significant implications not least for the services it delivers, the costs of healthcare provision, sickness absence levels, and the suspension of non-essential projects and activities. Our planned audit work has had to adapt to new emerging

risks as they relate to the audit of the financial statements and the wider dimensions of audit. We also had to adapt to the audit team and certain members of the board working remotely.

Adding value through the audit

4. We add value to NHS Greater Glasgow and Clyde through the audit by:

- Regular engagement with management to discuss any emerging issues (e.g. we had early dialogue with the Director of Finance around the accounting treatment for the untaken leave accrual). We also have regular contact with the Chair of the Board and the Chair of the Audit and Risk Committee.
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability in our Annual Audit Report
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides.
- regular attendance at the Audit and Risk Committee to participate in discussions and to respond to members queries

5. In so doing, we aim to help NHS Greater Glasgow and Clyde promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. NHS Greater Glasgow and Clyde has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

7. The board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016 and supplementary guidance and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified 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.

12. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £397,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

16. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit particularly given the difficulties of auditing remotely during the pandemic.

Part 1

Audit of 2019/20 annual report and accounts



Main judgements

The financial statements of NHS Greater Glasgow and Clyde give a true and fair view of the state of affairs of the health board as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

The financial statements include an explanatory paragraph within Note 1 - Accounting Policies, describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation report for land and buildings for the Health Board. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.

The timing of the impact of Covid-19 coincided with the financial year end. This led to significant challenges for the finance department to maintain financial services whilst completing year end accounts closedown processes and the financial statements preparation. We received the template version of the accounts by the revised date but the unaudited Performance and Accountability Reports were received later in the audit process. The opportunity exists for officers to review and refine its project management approach to the preparation and delivery of the reporting aspects of the Annual Accounts package.

The annual report and accounts are the principal means by which the Board accounts for the stewardship of resources and performance.

17. The board approved the Annual Report and Accounts for the year ended 31 March 2020 on 29 September 2020. As reported in the independent auditor's report:

- the financial statements of NHS Greater Glasgow and Clyde give a true and fair view of the state of affairs of the health board as at 31 March 2020 and of the net expenditure for the year then ended and were properly prepared in accordance with the financial reporting framework
- 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.

18. As detailed within paragraph 29 of the Accounting Policies within the financial statements, 'Key sources of judgement and estimation uncertainty', a material uncertainty, caused by Covid-19, has been declared in the valuation report for land and buildings. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have

included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's opinion, our opinion on the financial statements is not qualified in respect of this matter.

19. The accounting framework was changed due to the Covid-19 pandemic. An addendum to the 2019/20 Government Financial Reporting Manual (FReM) was published by HM Treasury in May 2020. This allowed bodies to streamline their Annual Report and Accounts in response to the impact of Covid-19. NHS Greater Glasgow and Clyde decided not to take advantage of these streamlining options and instead prepared the Annual Report and Accounts as previously planned.

The annual report and accounts are due to be signed for the revised statutory deadline of 30 September

20. Scottish Government has actioned provisions within the Coronavirus (Scotland) Act 2020 to modify the Public Finance and Accountability (Scotland) Act 2000 for the financial year ending 31 March 2020 and have extended the administrative deadline for health accounts by 3 months. Therefore, the board is required to prepare its unaudited 2019/20 accounts by 31 August 2020 and to submit audited accounts by 30 September 2020. The legislative deadline for laying accounts in the Scottish Parliament remains at 31 December 2020.

21. The receipt of the unaudited Annual Report and Accounts at NHS Greater Glasgow and Clyde was delayed due to finance staff prioritising the Boards response to Covid-19. Senior finance officers actively engaged with us at an early stage to reschedule the audit timetable. Our Annual Audit Plan, presented to the Audit and Risk Committee on 10 December 2019, included an agreed timetable whereby NHS Greater Glasgow and Clyde would present the unaudited Annual Report and Accounts, and a complete set of working papers, to us by 11 May 2020.

22. Following our discussions, a revised date of 8 June 2020 was agreed for the receipt of the unaudited Annual Report and Accounts and working papers. The June Audit and Risk Committees was re-scheduled to September. The draft Annual Audit Report and proposed independent auditor's certificate was presented to the Audit and Risk Committee on 22nd September, and then to the Board meeting on the 29th September 2020.

23. The financial statements and working papers were received on the 8 June 2020, however, the Performance Report and Accountability Report were not provided until 16 July 2020. In the prior year, our annual audit report noted issues around the quality of these reports and we had recommended that officers introduce a comprehensive quality review prior to submitting the year-end reporting documents (Performance and Accountability Report including the Annual Governance Statement and Annual Accounts) for audit, to minimise the number of changes required.

24. Whilst quality review processes have been introduced, good practice arrangements would be for the narrative parts of the Annual Report and Accounts to be provided at the same time as the unaudited financial statements to ensure efficient year-end closedown and reporting arrangements and an effective and timely audit process. A project plan for the preparation and drafting of the performance and accountability reports was developed in January 2020 by finance and governance officers. The timescales within the plan were not delivered and this led to audit receiving these parts of the Annual Report and Accounts significantly later than planned. The project plan should be reviewed and refined to ensure it is realistic and project managed to ensure delivery within agreed timescales ([Appendix 1 Recommendation 1](#)).

25. Covid-19 presented us with unprecedented challenges such as the need to maintain audit quality whilst working fully off-site. The working papers provided by the Board to support the accounts were a good standard and the finance staff continued to deliver their high standards of professionalism and support to the

audit team which helped ensure a smooth audit process. However, as part of our review of the Governance Statement, which forms part of the Accountability Report, we requested copies of the assurance statements which underpin the disclosures. Not all assurance statements were available or comprehensively completed for all Directors for 2019/20 ([Appendix 1 Recommendation 2](#)).

Overall materiality is £27 million

26. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

27. On receipt of the unaudited annual report and accounts we reviewed our assessment of materiality as summarised in [Exhibit 2](#). This had no impact on our audit approach, and we remained focussed on the significant audit risks for the 2019/20 accounts.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£27 million (£20 million)
Performance materiality	£16 million (£12 million)
Reporting threshold	£0.250 million (£0.2million)

Source: NHS Greater Glasgow and Clyde Annual Audit Plan 2019/20 (original figures in brackets)

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

28. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work. We have no issues to report from the work undertaken other than the additional risk relating to asset values as described in paragraph 18 above.




29. We have reported a number of issues relating to the main risks of material misstatement as set out below. These relate to the accounting treatment for research and development contracts, existence of assets and the preparation of the Performance Report and Accountability Report and are included in the action plan at [Appendix 1](#).

Significant findings to report on the Annual Report and Accounts

30. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. Where findings have resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Performance Report and Accountability Reports</p> <p>The Performance and Accountability Reports form an integral part of the accounts. The draft reports were not provided as part of the financial statements package on 8 June 2020 due to being incomplete. The reports were provided to audit on 16 July 2020.</p>	<p>Recommendation:</p> <p>Review and refine the project plan for the delivery of the Performance Report and Accountability Report to ensure it is realistic. Apply project management principles to ensure the reports are delivered within agreed timescales and to the appropriate standard.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2 Governance Statement</p> <p>The Governance Statement, which forms part of the Accountability Report, did not have all the assurance statements and certificates from Directors available for audit to review. The narrative contained within some assurance statements was restricted to yes/no answers and we would expect additional narrative to be provided by officers to provide evidence for the Chief Executive's review.</p>	<p>Directors should ensure that their assurance statement and certificate are completed comprehensively, within the required timeframe and to appropriate quality standards for the Accountable Officers review and consideration prior to the drafting of the governance statement.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<p>3. Asset existence</p> <p>Within the Annual Audit Plan, we identified a risk of material misstatement around the existence of assets. We noted that the arrangements in place within the board to inform the fixed asset team of disposals or changes in assets location or condition are inconsistent or not implemented. We also noted that limited asset verification work is completed within the board.</p> <p>As part of our annual accounts work, we focussed our asset verification work on portable assets, as these assets are more likely to be moved around and therefore could be more difficult to locate. We decided to sample five portable assets from the fixed asset register to verify for existence. Two of the five assets selected have previously been disposed without notification being provided to the fixed asset team.</p> <p>Furthermore, we reviewed the verification work undertaken by the fixed asset team. This process involves sending a list of assets from the fixed asset register to the relevant department to confirm that the assets are still operational within the board. This exercise is usually performed for four departments each year and generally has a very poor response rate. The example we reviewed for 2019/20 had no response despite being followed up by the fixed asset team.</p> <p>Whilst the value of portable assets selected for review were not of material value to the accounts, the findings highlighted issues with the process in place for notifying finance of any changes to assets.</p>	<p>Recommendation:</p> <p>Establish appropriate arrangements for the verification of assets. This includes establishing management responsibilities within departments for ownership of assets and the return of relevant documentation to the fixed asset team within finance to ensure accounting records are complete.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>
<p>4. Internal Audit</p>	<p>Action already taken to resolve:</p>

As set out in our Annual Audit Plan, we planned to use the work of Internal Audit for payroll. We reviewed the detailed payroll work and identified an issue within the testing of employees leaving the board.

We discussed this issue with Internal Audit and outlined the need for further work to be undertaken to provide the necessary assurance for the Board. For our purposes we would have undertaken additional testing, which would have resulted in an additional fee for the Board, had internal audit not taken action to address the issue.

Internal Audit carried out further payroll work relating to employees leaving the board. Audit Scotland reviewed the additional work undertaken and concluded that we were able to use this work.

5. Deferred income

The board agreed last year to undertake a review of deferred income to ensure that it complies with the requirements of IFRS 15. Work has been ongoing on this during 2019/20 and whilst progress has been made there are areas which still require further work:

- There is no policy document or clear plan which demonstrates the utilisation of capacity building funding carried forward
- Whilst the net impact on the accounts may not be material, transactions are not being accounted for correctly. An example of this is income received for capacity building/board support services is not recognised until the project end rather than when received. The timing of these reconciliations and income distribution to external partners leads to an overstatement of the deferred liability.

Recommendation:

Inject more pace into the continued review of deferred income to ensure full compliance with the requirements of IFRS 15.



Recommendation 4
(refer [appendix 1](#), action plan)

6. Stock valuation

Officers were unable to undertake year end stock counts at most manual stock sites in March 2020 due to the Covid-19 pandemic. Where a stock count did not take place and no updated information was available, the prior year stock valuation was used. The inventory balance within the Statement of Financial Position includes prior year stock valuations of £11.5 million.

Recommendation:

Establish arrangements to ensure updated stock valuations are obtained prior to March 2021 in the event of continued disruption resulting from Covid-19.



Recommendation 5
(refer [appendix 1](#), action plan)

7. Restatement of set aside

The set aside calculation is a mechanism to reflect activities provided by the board which fall within the remit of the integration joint boards. Until this year, the set aside calculation has been based on historic data. Finance Officers have collected data based on actual expenditure and activity levels in the current and prior year and established a revised set aside calculation based on activity.

The revised set aside calculation and prior year comparator information, has been agreed with the Chief Finance Officers and will be reflected within the accounts of the six Integration Joint Boards within the NHS Greater Glasgow and Clyde area.

The unaudited accounts of NHS Greater Glasgow and Clyde reflected the prior year comparator set aside value of £132.5 million within the 2019/20 income and expenditure activity with integration joint boards in note 3 and 4 of the accounts, as opposed to within the 2018/19 comparator figures. Whilst this resulted in income and expenditure being over inflated in 2019/20, there was no impact on the outturn position.

Action already taken:

The board has agreed to change the respective prior year figures in note 3 and 4 of the draft annual accounts by £132.5 million.

8. Review of Central Legal Office post year end reports

The Central Legal Office (CLO) provide health boards with quarterly reports detailing claims received. The quarter four report includes claims received by the CLO as at 31 March.

This means that any claims received by CLO post 31 March are not captured in the report and it is up to the individual boards to gather, review and consider the impact of these late claims on their financial statements.

No process is in place to obtain and review information received after 31 March and as such no judgement has been made around whether any amendment is required to the financial statements.

Recommendation:

We recommend a process is established to identify, obtain and review details of claims received by the CLO after 31 March but which relate to the accounting period of the financial statements.



Recommendation 6
(refer [appendix 1](#), action plan)

Source: Audit Scotland

Identified misstatements with an impact of £0.353 million on the outturn position were adjusted in the accounts

31. The outturn position has been impacted by audit adjustments of 0.352 million. These adjustments relate to the untaken leave accrual and health and social care partnership funding. These adjustments reduced the year end surplus by £353k from £591k to £238k.

32. A misstatement of £132.5m, as outlined in [ISA 260 Finding 7](#) was identified. Due to the nature of the misstatement, this had no impact on the outturn position and the adjustment was processed through the Statement of Consolidated Comprehensive Net Expenditure. The misstatement identified was due to the prior year set aside restatement being processed as a 2019/20 transaction. We have concluded that the misstatement identified was an isolated issue and does not indicate wider systematic error. There were a small number of other changes within the notes to the accounts that have been adjusted and which have no impact on the reported outturn position.

33. One other misstatement, relating to FHS accruals was identified as detailed in Appendix 3 was identified which was not processed through the financial statements and this has been classified as an unadjusted error. Management have not adjusted for this item as they consider the amounts are not material in the context of the financial statements

34. 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.

Good progress was made on prior year recommendations

35. NHS Greater Glasgow and Clyde has made good progress in implementing our prior year recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#). We also note that some recommendations have been superseded by events, including Covid-19 and we have updated [Appendix 1](#) to reflect this.

Part 2

Financial management



Main judgements

NHS Greater Glasgow and Clyde operated within its Revenue Resource Limit reporting an underspend of £0.238 million. This was in line with the three-year financial plan which aims to achieve financial balance each year.

The board has appropriate budget processes, but NHS Greater Glasgow and Clyde continues to rely on significant levels of non-recurrent savings to achieve in-year financial balance and the boards underlying deficit increased to £55 million at the end of 2019/20.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

NHS Greater Glasgow and Clyde operated within its Revenue Resource Limit (RRL) and within its one per cent flexibility

36. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. As illustrated in [Exhibit 4](#), the board operated within all limits during 2019/20.

Exhibit 4 Performance against resource limits in 2019/20

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	2,543.504	2,543.266	0.238
Non-core revenue resource limit	148.083	148.083	0
Total revenue resource limit	2,691.587	2,691.349	0.238
Core capital resource limit	36.860	36.846	0.014
Non-core capital resource limit	24.760	24.760	0
Total capital resource limit	61.620	61.606	0.014
Cash requirement	2,802.275	2,802.275	0

Source: NHS Greater Glasgow and Clyde Annual Report and Accounts 2019/20

Budget processes were appropriate

37. As part of our planning process, we reviewed the board's approach to budgeting and concluded that the budget process was appropriate. Senior management and non-executive Board members receive regular and accurate information reporting the organisations financial performance. The budget setting and monitoring arrangements allow officers to analyse financial performance and non-executive Board members to scrutinise the organisations financial position.

38. Financial reports include information on directorate budgets, cost pressures and the financial improvement programme tracker which outlines the full and current year effect on saving initiatives. The board identified and reported on emerging cost pressures during 2019/20 and these were articulated in the financial reports presented to the Board and Finance, Planning and Performance Committee.

39. The effects of the Covid-19 pandemic impacted in the final quarter of the financial year. The Scottish Government provided funding of £7 million to cover the costs of additional expenditure incurred for additional bed capacity, testing, personal protective equipment, investment in IT and accrued untaken annual leave. Part of the funding was provided to the health and social care partnerships in relation to prescribing costs and external provided services.

40. The board continue to incur additional expenditure in relation to Covid-19 in 2020/21 and expect clarification in due course from the Scottish Government around allocated funding.

Capital to revenue transfer of funds due to capital slippage and unallocated capital balance

41. NHS Greater Glasgow and Clyde received a total capital allocation of £61.6 million. An underspend of £0.014 million was reported.

42. In January 2020, Scottish Government agreed a transfer of £15.6 million capital allocation to revenue and a further £2.6 million of capital funds were transferred internally. This equates to around 20% of the overall capital funding available to the board and is the third consecutive year that a large balance has been transferred from capital funds to revenue (2018/19 £12.2 million; 2017/18: £10 million).

43. A significant proportion of the capital funds transferred relates to the forecast unallocated balance at the year end of £15 million. A large proportion of these funds were spent on the estate to cover the cost of revenue expenditure and includes the additional £9million against the repairs and maintenance budget. The remaining balance relates to capital slippage of £1.5 million and accounting adjustments of £1.7 million to ensure the correct classification of expenditure which is not eligible for capitalisation.

44. Whilst the board has re-profiled the budget for all capital slippage to ensure completion of the projects, there is an opportunity cost in the Board failing to utilise its full capital budget.

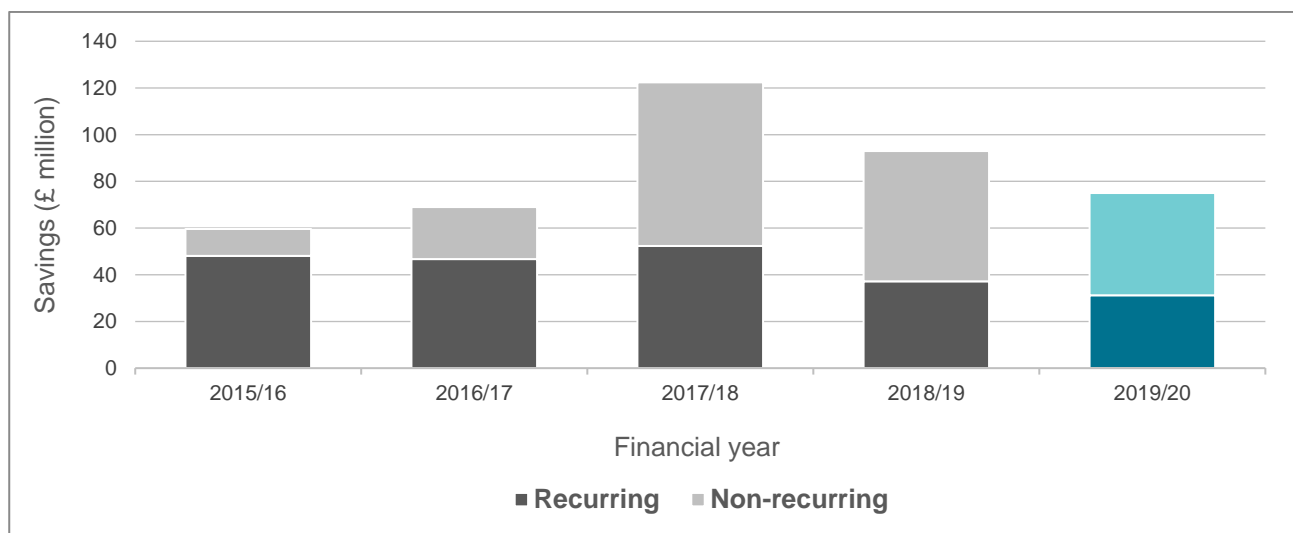
Efficiency savings were only achieved after relying on significant non-recurrent savings of £43.8 million

45. In 2019/20, NHS Greater Glasgow and Clyde was required to make efficiency savings of £75 million. This was a reduction in the savings requirement from the £93 million required in the prior year, however, it continues a period of significant annual savings being required as identified in [Exhibit 5](#).

46. Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years. In a particularly challenging year the board achieved £31.2 million of savings on a recurring basis and £43.8 million non-recurrently. Despite the success in delivering £75 million in savings the board's underlying deficit increased from £50 million to £55 million.

47. The Board's reliance on non-recurrent savings continues to increase. The proportion of overall savings delivered through non-recurring solutions has remained consistently high and in the last three financial years the savings achieved non-recurrently has been greater than the recurrent level of savings achieved. This position is not sustainable in the medium and longer term and it requires the board to increase recurrent savings in future years to enable a break-even position to be achieved.

Exhibit 5 Savings – recurring and non-recurring



Source: NHS Greater Glasgow and Clyde Annual Accounts 2015/16 – 2019/20

Financial systems of internal control are operating effectively

48. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that NHS Greater Glasgow and Clyde has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

49. Our management letter presented to the Audit and Risk Committee on 17 March 2020 concluded on our findings from the review of systems of internal controls. We determined that no significant key control weaknesses were identified from our interim audit work, however we did identify one weakness around petty cash reconciliations.

50. As part of our annual accounts work and in response to these findings, we reviewed a sample of year end petty cash balances and the respective reconciliations. Our review identified a further instance where the petty cash reconciliation was not completed on the correct reconciliation template as required by the 'Operating Procedures for the control and management of cash offices'.

Financial capacity

51. We have previously reported on financial capacity within the Board in relation to staffing changes as staff retire, leave the organisation or move post. We are also aware of staff within the department who plan to retire within the next year. As part of our planned audit approach this year, we reviewed financial capacity arrangements within the Board.

52. Our review noted a reduction in staff working in a finance role within the organisation since 2014/15, however, the number of professionally qualified staff has remained stable. On further analysis we noted that the corporate finance function has a significantly smaller proportion of professionally qualified staff. This could limit capacity and places additional responsibilities on a few individuals.

53. The board has been looking to revise its finance structure and a recruitment process is ongoing to fill three Assistant Director of Finance posts. Each of these posts has defined responsibilities and aims to improve accountability and reporting structures. Further review of the finance structure below this level is required to ensure that the finance department has sufficient capacity and capability going forward and that realistic and appropriate succession plans are in place to mitigate the impact of staff leaving.



Recommendation 7

Take steps to ensure that the finance function is appropriately resourced with experienced, skilled and knowledgeable staff and to develop and implement appropriate succession plans.

NHS Greater Glasgow and Clyde is working with NHS National Services Scotland to ensure issues identified in service auditor reports this year will be adequately addressed in future

54. 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.

55. We have considered the content of the service auditor assurance report, and any associated external audit report. The service auditor assurance report for primary care payments and the national IT contract both contained qualifications in 2019/20. Issues were identified with the retention of documentation and this resulted in qualifications in both reports. NHS NSS has provided assurance to all health boards that processes will be improved to address the issues giving rise to the qualifications. The qualifications did not impact on our audit approach as we were able to supplement the service auditor reports with assurances from our own planned local audit work. Also, the health board has made appropriate disclosures on the matter in the 2019/20 Annual Report and Accounts.

Internal audit

56. NHS Greater Glasgow and Clyde's internal audit function is carried out by Scott Moncrieff. We reviewed the Board's internal audit arrangements in accordance with 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 have used the work of internal audit in relation to payroll for our audit. There was one significant finding as outlined in [Exhibit 3](#).

57. Scott Moncrieff has concluded its 2019/20 audit work. All planned work was completed with the exception of the review on waiting times which was deferred to early 2020/21 at the request of management. The Internal Audit Annual Audit Report, was presented to the September 2020 Audit and Risk Committee and concluded that the board's *"..internal control framework provides reasonable assurance regarding the achievement of objectives, the management of key risks and the delivery of best value, except in relation to service redesign- acute stroke services, operational planning, medicines reconciliation in hospital, sickness absence follow up and IT security"*.

58. These five amber rated reports are reflected in the board's Governance Statement within the Annual Audit Report and Accounts.

The board has appropriate arrangements in place for the prevention of fraud and error and these are subject to regular review

59. There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. NHS Greater Glasgow and Clyde is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

60. We have reviewed the arrangements in place to maintain standards of conduct including the Standing Financial Instructions, Standing Orders, Code of Conduct for members and staff, fraud policy and whistle blowing arrangements. The board has a formal partnership with NHS Scotland Counter Fraud Services (CFS). These arrangements include the Fraud Liaison Officer circulating reports to the Audit and Risk Committee and appropriate managers. Reports from CFS highlight any referrals from NHS Greater Glasgow and Clyde and are presented quarterly to the meetings of the Audit and Risk Committee.

61. We have concluded that the board has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

The board is proactive in following up matches identified by the National Fraud Initiative and reporting findings to the Audit and Risk Committee

62. The National Fraud Initiative (NFI) is a counter-fraud exercise which operates across the UK public sector. It aims to prevent and detect fraud. It uses 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.

63. The board adopted a pro-active approach in following up NFI investigations, with 10,543 of the 10,563 matches being reviewed.

Part 3

Financial sustainability



Main judgements

NHS Greater Glasgow and Clyde has a three-year, medium-term financial plan. This identifies a significant financial funding gap of £361.9 million over the next three years.

The board recognise that system wide transformation will be required to achieve medium to long term financial balance. The Moving Forward Together programme and the board's plans for re-mobilisation aim to deliver transformational change and service redesign. The longer the delay in implementing plans then the greater risk there will be that the plans are no longer sufficient to address the growing challenge.

The COVID-19 outbreak has had an impact on the short-term finances of NHS Greater Glasgow and Clyde. The impact of this in medium/longer term planning is currently being evaluated by the board.

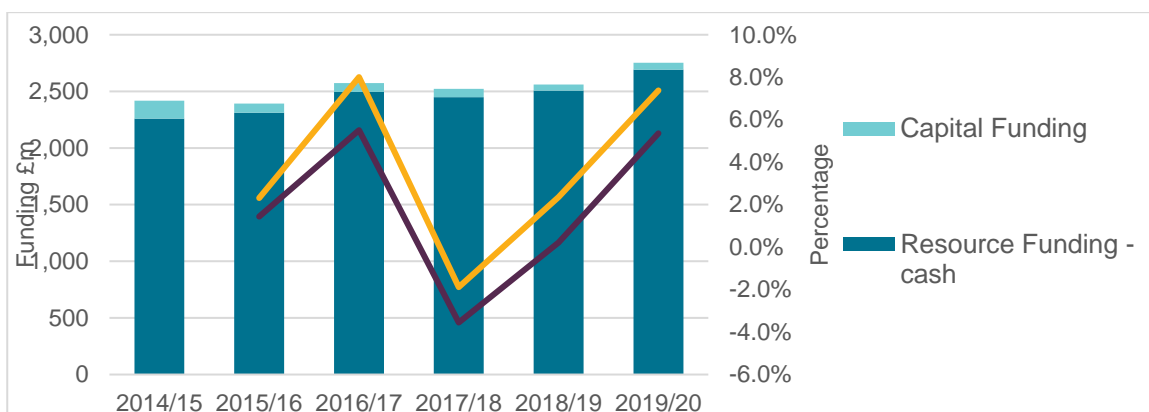
Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Revenue funding has grown in real terms over the last five years

64. Revenue funding to NHS Greater Glasgow and Clyde from the Scottish Government has grown by 7.4 per cent in cash terms and 5.4 per cent in real terms compared to 2018/19 ([Exhibit 6](#)) but this includes additional funding to cope with the COVID-19 outbreak. NHS Greater Glasgow and Clyde has had to manage significant financial pressures over the past few years and has relied on a significant proportion of non-recurring savings to balance its financial position.

Exhibit 6

Cash and real term core funding to NHS Greater Glasgow and Clyde has risen



Source: NHS Greater Glasgow and Clyde Annual Report and Accounts/ Audit Scotland

NHS Greater Glasgow and Clyde has a medium-term financial plan which aims to achieve financial balance by making best use of available resources

65. The Scottish Government published a new Medium-Term Health and Social Care Financial Framework in October 2018. This requires NHS Boards to set out plans to deliver a breakeven position over a three-year planning period rather than a one-year basis. Boards have the flexibility to report over or underspends of up to 1% of the Board's core revenue resource funding in-year.

66. NHS Greater Glasgow and Clyde aim to achieve financial balance over the three-year medium-term plan period, however, as outlined in [Exhibit 7](#), their financial plan does not currently have a breakeven position for any individual year. Total savings of £361.9 million are anticipated over this period to achieve financial balance, with savings of £112.6 million required in 2020/21.

Exhibit 7 Savings forecast 2020/21 to 2022/23

	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m
Financial challenge	112.8	120.4	128.7	361.9
Forecast savings achievable (%)	29.3 (27%)	20 (17%)	20 (16%)	69.3 (19%)
Recurring deficit	(78.5)	(100.4)	(108.7)	(287.6)
Non-recurrent outturn	24	27.8	29.1	80.9
Forecast outturn	(54.5)	(72.6)	(79.6)	(206.7)

Source: NHS Greater Glasgow and Clyde 2019-20 Initial Draft Financial Plan

67. The board will continue to deliver savings through its Financial Improvement Programme (FIP), although due to the Covid-19 pandemic and the loss of the Head of the FIP partway through 2019/20, the Project Management Office has been less active in the first quarter of the year. In order to re-invigorate the programme a new Head of the FIP has recently been appointed and a new approach conceived.

68. The former Director of Finance of Scottish Government Health (now Director of Planning) worked with the Board in early 2020/21 and reviewed the FIP. A different approach, which is more closely aligned with that taken in the Scottish Government Health department's Medium-Term Financial Strategy, was recommended.

69. This has led to a number of changes to the FIP approach including:

- rationalising and changing the numbering of workstreams;
- allocating a 1.5% efficiency target across all sectors and directorates which equates to £24m
- allocating a £10m target for drugs savings across the Acute Division to be managed centrally; and

- holding the balance centrally to be managed by strategic board wide initiatives and by in year financial management processes.

70. In addition, a number of processes have been reviewed to simplify reporting and to reduce bureaucracy for service managers to develop and document plans.

71. The ongoing savings challenge is unprecedented. The board has achieved financial balance in recent years through cost containment measures, the Financial Improvement Programme (FIP) and non-recurring sources. To achieve recurring financial balance over the medium to long term a whole service redesign approach will be required. The Board's re-mobilisation plan and Moving Forward Together transformation programme aim to implement transformational changes and redesign services and patient pathways in a coherent way.



Recommendation 8

Develop and implement detailed savings plans over the medium term which are aligned to the Re-mobilisation plan and Moving Forward Together programme. The savings plans should articulate how savings will be achieved.

Financial impact of the COVID-19 pandemic

72. Financial plans and projections have been impacted by the Covid-19 pandemic. As outlined in paragraph 39, the board incurred some additional costs in 2019/20. However, greater financial impact will be incurred in 2020/21.

73. The August Board received a report outlining the financial position as at June 2020 as £59 million over budget with £58.5 million relating directly to Covid-19 expenditure and the opportunity cost of the pandemic. This includes £32.7 million relating to the mobilisation and delivery of services due to Covid-19 and £25.8 million of unachieved savings as a consequence of the Covid-19 focus.

74. The board have submitted their quarter one financial return and are awaiting clarification around the funding due from the Scottish Government.

Part 4

Governance and transparency



Main judgements

NHS Greater Glasgow and Clyde has appropriate and effective governance arrangements in place. Changes in governance arrangements due to the impact of Covid-19 involved the temporary suspension of the standing committee structure and the establishment of an Interim Board in March 2020.

NHS Greater Glasgow and Clyde were escalated to Level 4 of the NHS Scotland Board Performance Escalation Framework in November 2019. This was initially in relation to infection prevention, management and control at the Queen Elizabeth University Hospital and Royal Hospital for Children and the associated communication and public engagement. This was then extended in January 2020 to include scheduled care, unscheduled care, primary care out of hours, finance, culture and leadership.

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Overall governance and transparency arrangements were appropriate

75. The Board and accountable officers are responsible for establishing arrangements for ensuring the proper conduct of affairs at NHS Greater Glasgow and Clyde and for monitoring the adequacy of these arrangements.

76. Throughout 2019/20 we have reviewed a wide range of governance documents, minutes and committee papers. We have noted enhancements in the content, presentation and focus of committee papers and minutes.

77. We attend all Audit and Risk Committee meetings and regularly attend the Finance, Planning and Performance Committee and Acute Services Committee. We consider these committees to operate effectively.

78. Officers reviewed committee membership and the associated workload of Non-Executive Directors. There have been changes to Non-Executive membership over the past year as members reach the end of their term and new members are appointed. The Scottish Government approved the overall Non-Executive membership increasing from 23 to 25 to provide additional capacity.

79. We observed a good level of scrutiny and challenge from members and it is evident that members are well prepared for meetings. Senior officers attend and present reports to all Boards and committee meetings. A good working relationship exists between members and officers.

80. We conclude that the Board continue to make improvements to its governance arrangements. Arrangements in place are appropriate and provide a framework for effective decision making.

The Board revised its governance arrangements in March 2020 in response to COVID 19

81. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in NHS Greater Glasgow and Clyde's Annual Report and Accounts. At a virtual Board meeting in March 2020, the Board agreed to suspend the standing committee structure and to establish an Interim Board to undertake all delegated business.

82. The membership of the Interim Board included eight non-executive members and two Executive members. These included the Board Chair and Vice Chair, chairs of governance committees and representation of stakeholder members. The full Board met on 30 June 2020, when a decision was taken to re-establish the full standing committee structure.

NHS Greater Glasgow and Clyde was escalated to level 4 of the Scottish Government's Performance Framework

83. In November 2019 the Cabinet Secretary announced that NHS Greater Glasgow and Clyde was being escalated to stage four of the NHS Scotland Board Performance Escalation Framework for infection prevention, management and control at the Queen Elizabeth University Hospital and Royal Hospital for Children and the associated communication and public engagement. An Oversight Board was established and chaired by the Scottish Government's Chief Nursing Officer. Its objectives, as outlined in the terms of reference, were to:

- improve the provision of responses, information and support to patients and families;
- support any identified improvements in the delivery of effective clinical governance and assurance within the Directorates identified;
- provide specific support for infection prevention and control, if required;
- provide specific support for communications and engagement and
- oversee progress on the refurbishment of wards 2A/B and any related estates and facilities issues as they pertain to haemato-oncology services.

84. The Oversight Board reports to the Chief Executive of NHS Scotland and the Cabinet Secretary.

85. In January 2020 the Cabinet Secretary extended the escalation to include scheduled care, unscheduled care, primary care out of hours, finance, culture and leadership. Calum Campbell, the Chief Executive of NHS Lanarkshire was appointed as Turnaround Director to provide increased levels of scrutiny and intervention. He reported progress to the Scottish Government.

86. The board established a Programme Management Office (PMO) headed up by a Programme Manager to lead and coordinate the three workstreams of Scheduled Care, Unscheduled Care and GP out of Hours services. Three Senior Planning Managers are also assigned to the Programme.

87. In response to the widened escalation, the Board critically assessed the effectiveness of existing governance arrangements. All Board members contributed and the Chair developed a set of recommendations. These recommendations were considered by a joint meeting of Standing Committee Chairs, the IJB Chairs/Vice Chairs, Whistleblowing Champion, Executive Board Members and the Head of Corporate Governance and Administration and formed part of the Board's overall response to the escalation to Level 4. They are now part of the evidence being considered by the Cabinet Secretary, Scottish Government, and the Oversight Boards.

88. Five Short Life Working Groups were established to review the governance arrangements for Moving Forward Together, the governance around Unscheduled Care (including Out of Hours Service), Board Members' Induction, the provision of Assurance Information and the presentation of Board Papers.

89. Acknowledging the unprecedented pressure on the NHS in response to COVID-19, the Oversight Board and the associated sub-groups were suspended in April 2020. The Scottish Government has continued to review the work undertaken on behalf of the Oversight Board from December to March and draft sub-group and associated work stream reports. It is anticipated that a single Oversight Board Report will be issued in the Autumn.

NHS Greater Glasgow and Clyde has faced scrutiny around infection control and the design, build, commissioning and maintenance of estate

90. During 2018/19, NHS Greater Glasgow and Clyde had three outbreaks of infection control in its hospitals. The board implemented actions in response to these outbreaks, including the establishment of Incident Management Teams. In January 2019 an unannounced inspection was undertaken by Healthcare Inspection Scotland and the board developed an action plan to address the findings.

91. Further to this the Cabinet Secretary announced an independent review focussing on infection prevention and control at the Queen Elizabeth University Hospital (QEUH) and Royal Hospital for Children (RHC).

92. The Board also commissioned an internal review in response to concerns around the operational effectiveness of the QEUH and the RHC. This aimed to provide an overview of key issues and identify actions to address the problems. An external technical advisor was appointed to review the hospital buildings.

93. The internal review findings were reported to the December 2019 Board. The board approved the raising of Court proceedings against the parties responsible for delivering the QEUH and RHC construction project.

94. The Queen Elizabeth University Hospital Review report was an independent review of the QEUH campus was published in June 2020. The review was co-chaired by Dr Brian Montgomery and Dr Andrew Fraser and was set up to establish whether the design, build, commissioning and maintenance of the Queen Elizabeth University Campus and Royal Hospital for Children has had an adverse impact on the risk of Healthcare Associated Infection.

95. The review examined documents, listened to witnesses and experts, undertook site visits and were supported in the review by advisors. The report concludes that the review had *“not established a sound evidential basis for asserting that avoidable deaths have resulted from the failures in the design, build, commissioning or maintenance of the QEUH and RHC”*.

96. The Board has developed and started implementing an action plan in response to the 63 recommendations contained in the Queen Elizabeth University Hospital Review report.

Announcement and commencement of Public Inquiry

97. The Public Inquiry into the construction of the QEUH campus and the Royal Hospital for Children and Young People in Edinburgh was launched on 3 August 2020. The Public Inquiry will be led by the Rt Honourable Lord Brodie. The overarching aim of the Inquiry is to consider the planning, design, construction, commissioning and, where appropriate, maintenance of the sites. It will also determine how issues relating to adequacy of ventilation, water contamination and other matters adversely impact on patient safety and care and whether these issues could have been prevented.

98. NHS Greater Glasgow and Clyde established a Project Management Office (PMO) in 2019 to manage the external review in relation to the QEUH and RHC. It will also manage the escalation on the Scottish Government Performance Framework and to support the Covid-19 response. The PMO will manage the Inquiry requirements in terms of administration and document flow and assessment. An Executive Oversight Group has also been established to ensure effective and transparent decision making.

Legal proceedings

99. In December 2019, the Board initiated Court Proceedings against the parties responsible for delivering the QEUH/RHC construction project and engaged MacRoberts LLP to act on its behalf. Legal proceedings have been initiated for losses and damages incurred in relation to a number of technical issues identified with the QEUH and RHC. These include issues with the water and ventilation systems, the heating system, the atrium roof and the internal fabric moisture ingress. The Board continues to engage with the appointed legal team to assess the claim.

Part 5

Value for money



Main judgements

NHS Greater Glasgow and Clyde has a clear performance management framework in place that supports the board in its drive to deliver value for money and focusses attention on the boards ambition to continuously improve.

The board continues to experience challenges in achieving key national performance targets. The COVID-19 pandemic led to routine elective work being suspended although we note that it was on track to meet its targets for elective and unscheduled care. However, the board achieved some performance standards and recognised improvements in performance against other standards. The board continues to demonstrate its commitment to service improvement through the development of improvement plans for the delivery of elective care.

Value for money is concerned with using resources effectively and continually improving services.

NHS Greater Glasgow and Clyde has developed a Best Value framework

100. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

101. NHS Greater Glasgow and Clyde aim to embed best value across the organisation through a continual drive for improvement. The board's transformation programme, Moving Forward Together, aims to design a new system of care in the most effective way to provide safe, effective, person centred and sustainable care to meet the current and future needs of the population and to provide best value.

102. The boards ambitions for the transformation programme will be achieved through the redesign of services to ensure an efficient and sustainable model. The programme has been designed with clinicians from both the acute services and primary care working together along with patients, service users, the public and staff.

103. Examples of service redesign include the establishment of virtual clinics for patients referred to orthopaedic, fracture and lung clinics which aims to improve the service patients receive and the length of time between referral to a service and decisions being taken as to the pathway they will follow.

104. The Board has established a Financial Improvement Programme which identifies projects to deliver efficiencies across the organisation. These efficiencies may identify changes required to processes or services with an aim to achieve financial savings but also to improve in service delivery.

The board has an effective performance management framework that allows members to scrutinise performance effectively

105. The Scottish Government monitors how NHS Greater Glasgow and Clyde performs against the targets set in its national performance framework and local trajectories agreed with the board in its Annual Operational Plan (AOP). Examples include waiting times for access to treatment such as the proportion of patients that were seen within 12 weeks (the treatment time guarantee).

106. The Board is kept well informed of performance across all areas. Performance reports are presented to each meeting of the Board and Acute Services Committee with detailed review of performance delegated to the Acute Services Committee.

107. During 2019/20, officers reviewed the performance report and refreshed its content and style. This has resulted in non-executive members receiving more focussed updates showing the latest performance information along with relevant trend analysis where appropriate and planned improvement actions. Performance reports are scrutinised in detail by members and explanations are sought from officers on reasons for performance issues and actions being taken to address concerns.

The board continues to experience challenges in achieving key national performance targets

108. Performance against key targets remained a focus for the NHS Greater Glasgow and Clyde in 2019/20. In common with other NHS boards, the board recognises the challenges it faces in meeting the national performance standards. The Covid-19 pandemic led to routine elective work being temporarily suspended from 16 March 2020 and this impacted upon the board's performance at the year end although we note that the board was on track to meet its targets for elective and unscheduled care.

109. Within the Performance Analysis section of the Annual Report and Accounts, the board outlined its performance against key targets at 31st March 2020. Challenges remain in achieving several targets including the Accident and Emergency waiting times target, and the child and adult mental health targets.

110. However, despite challenges faced and the impact of Covid-19, the board's performance exceeded the 31-day cancer target and the drug and alcohol waiting times target at 31 March 2020. Improvements were also noted in the year end performance of the 62-day cancer target and the 12-week outpatient target in comparison to the prior year.

111. The Board remain committed to improving performance as demonstrated in the Performance Summary Report presented to the August 2020 Board meeting which outlined required changes to the delivery of urgent and routine scheduled care. These changes will have a significant impact on the board's capacity to deliver routine elective care and the board are developing detailed plans.

National performance audit reports

112. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 a number of reports were published which are of direct interest to the board and are highlighted in [Appendix 4](#).

113. The NHS Overview Report on the 2019/20 audits will include a review of the response to the COVID-19 pandemic by the NHS in Scotland along with a report on financial and operational performance. This is due to be published early 2021.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Performance and Accountability Reports</p> <p>The Performance and Accountability reports were not provided as part of the financial statements package within agreed timescales.</p> <p>Risk – The audit is delayed due to the absence of comprehensive complete reports and underlying documentation within the annual accounts audit package.</p>	<p>We recommend that officers review and refine the project plan for the delivery of the Performance and Accountability Reports to ensure that it is realistic. Project management principles are applied to ensure are delivered within agreed timescales and to appropriate standard.</p> <p>ISA 260 Finding 1</p>	<p>The project plan was drafted and agreed. Improvements are required in the delivery process.</p> <p>Responsible officer Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date 31st March 2021</p>
2	<p>Governance Statement</p> <p>The Governance Statement which forms part of the Accountability Report did not have all the assurance statements and certificates from Directors available for audit to review. The level of detail within some assurance statements was below expectations.</p> <p>Risk – The Accountable Officer is not provided with the assurances required and the governance statement omits a significant issue.</p>	<p>Directors should ensure that their assurance statement and certificate is completed comprehensively, within the required timeframe and to appropriate quality standards for the Accountable Officers review and consideration prior to the drafting of the governance statement.</p> <p>ISA 260 Finding 2</p>	<p>The project plan was drafted and agreed. Improvements are required in the delivery process.</p> <p>Responsible officer Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date 31st March 2021</p>
3	<p>Existence of Assets</p> <p>A sample of portable assets selected from the fixed asset register identified instances where assets had previously been disposed but no notification was provided to finance to update their records.</p> <p>Furthermore, we noted that the verification exercises undertaken by the fixed asset team generally has a very poor</p>	<p>Establish appropriate arrangements for the verification of assets. This includes establishing management responsibilities within departments for ownership of assets and the return of relevant documentation to the fixed asset team within finance to ensure accounting records are complete.</p>	<p>Agreed, although we also note the materiality proviso.</p> <p>Responsible officer Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date 31st March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>response rate and contribute to records being out of date or incomplete.</p> <p>Risk – The underlying fixed asset records are incomplete.</p>	ISA 260 Finding 3	
4	<p>Accounting for Research and Development Contracts</p> <p>Although work has been undertaken on reviewing deferred income to ensure compliance with IFRS 15 further work is still required to ensure full compliance.</p> <p>Risk – The board's accounts may be mis-stated.</p>	<p>Inject more pace into the continued review of deferred income to ensure full compliance with the requirements of IFRS 15.</p> <p>ISA 260 Finding 4</p>	<p>We will work with External Audit to understand the requirements.</p> <p>Responsible officer</p> <p>Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date</p> <p>31st December 2020</p>
5	<p>Stock valuations</p> <p>Officers were unable to undertake year end stock counts at most manual stock sites in March 2020 due to the Covid-19 pandemic. Prior year stock valuations were used in the absence of updated information. The inventory balance within the Statement of Financial Position includes prior year stock valuations of £11.5 million.</p> <p>Risk – There is a risk that stock valuations are not accurate.</p>	<p>Establish arrangements to ensure updated stock valuations are obtained prior to March 2021 in the event of continued disruption resulting from Covid-19.</p> <p>ISA 260 Finding 5</p>	<p>We will work with External Audit to understand the requirements.</p> <p>Responsible officer</p> <p>Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date</p> <p>31st March 2021</p>
6	<p>Review of Central Legal Office post year end reports</p> <p>The Central Legal Office (CLO) provide health boards with quarterly reports detailing claims received. The quarter four report includes claims received by the CLO as at 31 March.</p> <p>Boards are responsible for considering the impact of claims received after 31 March on their financial statements.</p> <p>There is no process in place to obtain and review information received by the CLO after 31 March to determine if any</p>	<p>We recommend a process is established to identify, obtain and review details of claims received by the CLO after 31 March but which relate to the accounting period of the financial statements.</p> <p>ISA 260 Finding 8</p>	<p>Agreed.</p> <p>Assistant Director of Finance – Financial Services, Capital and Payroll</p> <p>Agreed date</p> <p>31st March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>adjustments are required to be processed through the financial statements.</p> <p>Risk – There is a risk that the provisions within the accounts are understated and do not reflect all claims received by the CLO.</p>		
7	<p>Financial capacity</p> <p>The finance function has experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established however longer-term solutions are required.</p> <p>Risk – The finance function is not appropriately resourced in terms of experience and knowledge, potentially leading to issues with financial management and accounts preparation.</p>	<p>Take steps to ensure that the finance function is appropriately resourced with experienced, skilled and knowledgeable staff and to develop and implement appropriate succession plans.</p> <p>Narrative on recommendation</p> <p>Paragraph 53</p>	<p>The staffing position in the Finance Function is well understood and the restructure is well underway.</p> <p>Responsible officer</p> <p>Director of Finance</p> <p>Agreed date</p> <p>31st December 2020</p>
8	<p>Medium to long term financial balance</p> <p>The board has had to achieve significant savings targets for a number of years. The 2020/21 financial plan sets out a saving requirement of £361.9 million over the next three years.</p> <p>Medium to long term recurring financial balance requires a whole service redesign approach.</p> <p>Risk – Savings requirements for the longer term may not be identified and achieved without whole service redesign.</p>	<p>Develop and implement detailed savings plans over the medium term which are aligned to the Re-mobilisation plan and Moving Forward Together programme. The savings plans should articulate how savings will be achieved.</p> <p>Paragraph 71</p>	<p>Discussions are on-going with the Scottish Government around the financial support for Covid and Remobilisation. Only then will the Board be able to assess the financial landscape.</p> <p>Responsible officer</p> <p>Director of Finance</p> <p>Agreed date</p> <p>30st October 2020</p>
Follow up of prior year recommendations			
9	<p>Performance Report and Governance Statement</p> <p>The draft report provided on 13 May 2019 required substantial changes prior to a revised version being passed to audit on 3 June 2019. There was no</p>	<p>We recommend that officers introduce a comprehensive quality review prior to submitting the year-end reporting documents (performance and accountability report including annual governance statement</p>	<p>In Progress</p> <p>Revised action: See 2019/20 recommendation 1 above.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>evidence of the initial draft report having been reviewed prior to being passing to audit.</p> <p>The governance statement provided as part of this report was also incomplete with significant elements outstanding. This included the disclosure of significant issues and the appropriate assurance statements from some directors. The narrative contained within some assurance statements was restricted to yes/no answers and we would expect additional narrative to be provided by officers to provide evidence for the Chief Executive's review.</p> <p>Risk - The audit is delayed due to the absence of comprehensive complete reports within the annual accounts audit package.</p>	<p>and annual accounts) for audit, to minimise the number of changes required.</p>	
10	<p>RTA Income</p> <p>There is no bad debt provision nor bad debt write off as recommended by the guidance.</p> <p>Risk – The RTA position within the financial statements may be mis-stated.</p>	<p>The Board should ensure it fully adopts the guidance issued by the Department of Work and Pension.</p>	Complete
11	<p>Debt write off</p> <p>We noted last year that no debts were written off and were informed that overseas patient debt would be written off in 2018/19. We established that this debt was written off but that approval for this was received from Scottish Government in 2017/18.</p> <p>We also noted that 4 debts were written off this year prior to receiving Scottish Government approval. The Audit and Risk Committee approved this write off on 4 June and approval is now being sought from Scottish Government.</p>	<p>The Board should ensure that all write offs are recorded in the correct accounting year. Timeous approval should be sought from Scottish Government on write offs above the specified limit.</p>	Complete



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk – The annual accounts may be mis-stated and the Board may not be complying with SG guidance.</p>		
12	<p>Untaken leave accrual</p> <p>The untaken leave accrual is based on the untaken leave position as at 31 March 2018. No exercise was undertaken this year to quantify the untaken leave as at 31 March 2019.</p> <p>Risk – The accounts could be mis-stated.</p>	<p>The Board should establish a more definitive process for establishing the untaken leave position at the end of each financial year.</p>	Complete
13	<p>Deferred Income – Research and Development Contracts</p> <p>The Board's 2018/19 trade payables balance includes an amount for deferred income, the majority of which relates to research and development contracts. The Board has not provided evidence that the deferred income balance is in adherence with the guidance contained in IFRS 15.</p> <p>Risk – The Board's accounts may be mis-stated.</p>	<p>The Board should undertake a review of its deferred income on a project by project basis to demonstrate how each scheme complies with the requirements of IFRS 15.</p>	<p>In Progress</p> <p>Revised action: See recommendation 4 in 2019/20 Action Plan above.</p>
14	<p>Capacity of Finance</p> <p>The finance function has experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established however longer-term solutions are required.</p> <p>Risk - The finance function is not appropriately resourced in terms of experience and knowledge, potentially leading to issues with financial management and accounts preparation.</p>	<p>The Board should take steps to ensure that the finance function is appropriately resourced with experienced, skilled and knowledgeable staff. Ensure succession planning arrangements are in place.</p>	<p>In progress</p> <p>Revised action: See recommendation 7 in 2019/20 Action Plan above</p>
15	<p>Efficiency savings</p> <p>For 2019/20 the Board is required to deliver savings of</p>	<p>Develop detailed, risk assessed, savings plans to articulate how the target</p>	Complete



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>£74.8 million. The Board has yet to identify how all the savings will be achieved.</p> <p>Risk – the Board may not be able to deliver the targeted savings in 2019/20 and beyond.</p>	<p>savings requirement of £74.8m will be achieved. Take steps to ensure ownership, responsibility and accountability for these plans across all levels within the organisation including appropriate monitoring, management and reporting arrangements at the Board, executive and directorate level.</p>	
16	<p>Medium to long term efficiency savings</p> <p>The financial plan sets out the savings over a three-year period. Consideration should be given to preparing medium to longer term efficiency savings targets.</p> <p>Risk – Savings requirements for the longer term may not be identified and achieved.</p>	<p>The Board should undertake scenario planning and associated financial modelling where the impact of known future events cannot be predicted with certainty.</p>	<p>In progress</p> <p>Revised action: See recommendation 8 in 2019/20 Action Plan above</p>
17	<p>Medium to long term efficiency savings</p> <p>The financial plan sets out the savings over a three-year period. Consideration should be given to preparing medium to longer term efficiency savings targets.</p> <p>Risk – Savings requirements for the longer term may not be identified and achieved.</p>	<p>Prepare medium to longer term efficiency savings requirements based on key financial assumptions about future funding and costs and the “most likely outcome” scenario planning model for uncertain events.</p>	<p>In progress</p> <p>Revised action: See recommendation 8 in 2019/20 Action Plan above</p>
18	<p>Overview of service performance</p> <p>The Scottish Government has identified a number of performance standards that significantly impact on patients which boards have to focus on in 2019/20. The Board’s performance against a number of these key standards has been in an adverse position during 2017/18.</p> <p>Risk - Performance may not improve or may continue to deteriorate if not addressed.</p>	<p>Learn the lessons from measures already implemented to improve performance in key waiting time targets to place greater emphasis on getting closer to the target and national averages for Treatment Time Guarantees, 12-week Outpatient Wait, Diagnostics, and 62-day Cancer Wait times.</p>	<p>In progress – will be reviewed in 2020/21 taking cognisance of any revised guidance issued by Scottish Government in light of the COVID 19 situation.</p>

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 to our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focussed testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. • Substantive testing of transactions after the year end, to confirm expenditure and income have been accounted for in the correct year. 	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Within substantive testing we considered whether transactions were within the normal course of business. When selecting samples, we reviewed ledger or transaction listings that were outside the normal course of business.</p> <p>Substantive testing of transactions around the year end identified controls were operating effectively.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud over expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing focussing on the areas of greatest risk. 	<p>Results: Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Assurances were obtained from the findings of NHS Scotland Counter Fraud Services.</p>

Conclusion: We did not identify any incidents of fraud over expenditure.

<p>3 Provisions</p> <p>There is a significant degree of subjectivity in the measurement and valuation of provisions. This subjectivity represents an increased risk of misstatements in the financial statements.</p>	<ul style="list-style-type: none"> • Review of information provided by the Central Legal Office. • Focussed substantive testing within provisions on values and balances which are derived by valuation and estimation. 	<p>Results: A review of the information provided by the Central Legal Office to support the provision of clinical and medical legal claims and for CNORIS did not identify any issues and these have been correctly reflected in the financial statements.</p> <p>Substantive testing concluded that provisions had been accounted for appropriately.</p> <p>Conclusion: The measurement and valuation of provisions included in the financial statements are reasonable and supported by evidence.</p>
<p>4 Deferred income – research and development contracts</p> <p>The board's trade payables balance includes a material amount for deferred income, the majority of which relates to research and development contracts. During the 2018/19 financial statements audit the board had not yet fully reviewed the deferred income balance to assess its compliance with the requirements of the newly implemented International Financial Reporting Standard (IFRS) 15. There is a risk that the board's accounts could be materially misstated.</p>	<ul style="list-style-type: none"> • Review the principles established by the Technical Accounting Group for compliance with IFRS 15. • Focussed testing prior to the year-end around the approach to accounting for deferred income and adherence to the principles of IFRS 15. • Focussed substantive testing of year end deferred income balances. 	<p>Results: We reviewed the work undertaken by the board to ensure it complies with the requirements of IFRS 15 as detailed in the guidance issued by the Technical Accounting Group.</p> <p>Focussed testing was undertaken on balances. The deferred income balance has greatly reduced and the majority of expenditure is shown as a deferred liability.</p> <p>Conclusion: Further work is still required to ensure full compliance with IFRS 15 and the TAG guidance.</p> <p>Appendix 1 Action Plan Point 4</p>
<p>5 Existence of assets</p> <p>The fixed asset register is the key information source for the noncurrent asset balances included within the accounts. The board do not have effective arrangements in place to ensure that the fixed asset team are consistently informed of changes in the location or condition of non-current assets. Furthermore, there is limited asset verification work completed within the board. There is a risk that the fixed asset register does not accurately reflect the assets owned by the board and this increases the risk of</p>	<ul style="list-style-type: none"> • Review of arrangements in place within the board for verifying assets. • Focussed verification work undertaken of a sample of portable assets. 	<p>Results: Reviewed arrangements within the board for asset verification exercises and noted limited response rate.</p> <p>Discussed the recording of assets with representatives from finance and the medical equipment management team.</p> <p>Selected a sample of assets from the fixed asset register to verify. Two of the five assets selected have previously been disposed but finance was not informed.</p> <p>Conclusion: Arrangements within the board to verify the existence of assets need to be</p>

misstatement in the financial statements.

strengthened. See [Appendix 1 Action Plan Point 3](#)

6 Integration Joint Boards

The IJB figures for incorporation into the NHS Greater Glasgow and Clyde group accounts were received later than planned in each of the last three years. Issues have also been noted in the past two years of instances where the information provided was incomplete or inaccurate. We recognise that the timely submission of this information is not wholly within the Board's control. There is a risk that the Board's accounts do not include the necessary consolidation adjustments and are delayed if the financial information is received late.

- We shall seek assurances from the appointed external auditor at each IJB and liaise as appropriate.
- We will obtain assurances from the Board's Director of Finance for the group governance disclosure.
- Specific group account testing will assess the appropriateness of consolidation transactions.
- We will review arrangements within the board for gaining assurances throughout the year around IJB balances, budgets and performance.

Results: Assurances were obtained from the appointed external auditor at each IJB.

We completed specific group account testing on the consolidation transactions. The results of the IJBs were appropriately brought into the boards accounts, with the exception of the prior year set aside disclosure.

We held discussions with officers and reviewed the arrangements within the Board for recording and monitoring IJB budgets and performance during the year.

Conclusion: The IJB working papers were provided within the timescales for the 2019/20 annual accounts process. The restatement of the prior year set aside has been raised at [ISA 260 Finding 7](#).

Qualitative aspects of reporting

7 Performance report and governance statement

Last years' performance and accountability report submitted for audit required substantial update and amendment prior to finalisation. There was also a lack of evidence of quality control arrangements having been exercised over the document. The governance statement was also incomplete with significant elements outstanding when it was submitted for audit. Some of the assurance statements from directors were provided late in the audit process and the quality of the assurance statements was variable.

- Liaise with HB staff to ensure completion by agreed dates.

Results: Discussions took place with officers around the timing and quality control arrangements for the performance report and governance statement.

Conclusion: The performance report and accountability report were received late. We recommend that a project plan is established to ensure the reports are prepared on time in 2020/21. See [Appendix 1 Action Plan Point 1](#)

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

8 Financial sustainability

NHS Greater Glasgow and Clyde's financial plan for 2019/20 identified a savings requirement of £75 million. At month 6, the board are

- Monitor updates to the Financial Plan and the ongoing financial position.
- Review the monthly financial returns to the SGHSCD.

Results: The audit team reviewed financial updates to the board and other committees throughout the year.

projecting a year end deficit of £29.8 million.

- Review the financial monitoring reports to the board, acute services committee and finance, planning and performance committee.
- Attendance at the Finance Planning and Performance Committee.
- Test a sample of transactions substantively before and after the year end to confirm expenditure and income have been accounted for in the correct financial year.

We reviewed the monthly financial returns to SGHSCD.

Throughout the year we attended the Financial, Planning and Performance committee.

Substantively tested income and expenditure at the year end to confirm that they have been accounted for in the correct financial year.

Conclusion: The board achieved financial balance in 2019/20, albeit with reliance on non-recurring savings.

Significant financial challenges will continue in the short to medium term and this have been highlighted at

[Appendix 1 Action Plan Point 8](#)

9 Financial capacity

Over the past year the finance function has experienced staffing changes. Although temporary arrangements have been established there is a risk that the finance function is not appropriately resourced in terms of experience and knowledge, which has the potential to impact on the quality of financial management and accounts preparation.

- We shall undertake a follow up of the 2015/16 Financial Capacity Review
- We shall have early discussion with officers regarding the annual accounts timetable. Discussions will continue throughout the course of the audit.
- We will issue a working paper checklist to outline requirements and agree timescales for the receipt of unaudited accounts and working papers.

Results: We completed our financial capacity review follow up work.

We discussed the annual accounts timetable with officers and continued to regularly meet with officers.

We issued a working paper checklist outlining our requirements.

Conclusion: The unaudited annual accounts and supporting papers were provided in line with agreed timescales. However, the performance and accountability reports were provided late. See [Appendix 1 Action Plan Point 1 and 7](#)

10 Performance

The board continues to face difficulties in achieving all of its key performance targets. There is a risk that, due to financial pressures and competing priorities, performance falls short of the required national standards.

- Monitor the regular performance reporting to the board and committees.
- Attendance at the Acute Services Committee.

Results: We reviewed performance reports presented to the Board and other committees.

Throughout the year we attended the Acute Services Committee.

Conclusion: This point has been superseded by the Covid-19 pandemic response and the required changes identified by the board in the delivery of urgent and routine scheduled care. These changes will have a significant impact on the board's capacity to deliver routine elective care. See para 111.

11 Senior Management Capacity

NHS Greater Glasgow and Clyde has experienced exceptional challenges this year; being placed in special measures, a public inquiry into the Queen Elizabeth University Hospital (QEUH) and litigation against the QEUH contractor. There is a risk that this may impact on Board and Senior Management capacity which could potentially result in a reduced wider strategic and operational oversight. This could have a detrimental impact on service delivery and damage broader partnership working.

- Assessing impact on Board and Senior Management capacity.
- Understand the impact on third and fourth tier management in terms of capacity and ability to respond to increased expectations.

Results: We have noted that the board are making progress in this area, for example, the current recruitment campaign to appoint three assistant directors of finance posts.

The board has developed a Project Management Office to manage the workload around escalation and the public inquiry.

Conclusion: We have seen evidence of capacity being strengthened or plans being developed to enhance capacity. We acknowledge that progress has been hindered by the Covid-19 pandemic response and recognise that this is an area of ongoing review and refinement.

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250k.

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 [Exhibit 2](#). We are satisfied that these errors do not have a material impact on the financial statements.

	Dr £000	Cr £000	Dr £000	Cr £000
1				
FHS Expenditure		2,341		
Trade payables			2,341	
Net impact		2,341	2,341	

Notes:

1. Entry 1 relates to a year end over accrual of FHS cash limited expenditure which was included within the accounts. The FHS expenditure would reduce by £2,341k and therefore the impact of the reported outturn position would be increased savings against the RRL.

Appendix 4

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

NHS relevant reports

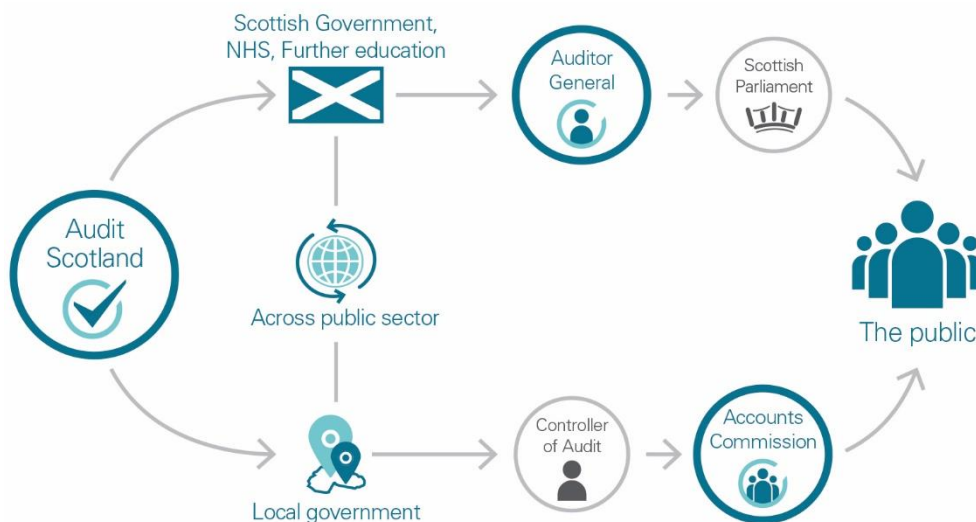
[NHS workforce planning – part 2](#) – August 2019

[NHS in Scotland 2019](#) – October 2019

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- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

NHS Greater Glasgow and Clyde

2019/20 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk