

NHS Greater Glasgow and Clyde

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland
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Key messages

2020/21 annual report and accounts

- 1** Our audit opinion on the annual accounts are unqualified and unmodified. The financial statements have been prepared to a high standard and are supported by a comprehensive set of working papers.
- 2** The ongoing Covid-19 restrictions impacted on the normal timetable for the audit, but we received the unaudited annual report and accounts and working papers by the agreed date of 7 June 2021. We carried out all aspects of our audit remotely, which created some challenges, and our audit took longer to complete. However, working with officers and staff from the health board we were able to address these challenges and minimise their impact.
- 3** The annual report and accounts will be signed in line with the revised statutory deadline of 30 September 2021.

Financial management and sustainability

- 4** NHS Greater Glasgow and Clyde operated within its revised Revenue Resource Limit, reporting a small underspend of £0.5 million, and maintained effective internal control systems throughout the year despite changed ways of working due to Covid-19.
- 5** The financial impact of Covid-19 on the board and the six Integration Joint Boards (IJBs) for the 2020/21 financial year is estimated to be in the order of £268 million. These costs were met by the Scottish Government.
- 6** In 2020/21 the board delivered against its savings target of £108 million but £93.4 million of the solutions were non-recurring and will be challenging to convert to ongoing savings in future years.
- 7** In line with Scottish Government guidance NHS Greater Glasgow and Clyde developed a one-year financial plan for 2021/22. The pandemic continues to have a significant operational and financial impact and the full extent of this is still to be evaluated over the medium term.
- 8** The board aims to achieve recurring savings through its Financial Improvement Programme (FIP) and there is a clear governance structure in place to support this. However, the scale of savings required to address the £93 million underlying deficit and achieve a recurring breakeven position is significant. At the end of the first quarter of 2021/22 the board reported an

overspend of £35.9 million, in line with the previously agreed financial plan. This position does not reflect any supporting non-recurring funds.

- 9** The pandemic continues to have a significant impact and its pressures are still evident across the system. The FIP, by necessity, is ambitious and transformational and, therefore, will require a number of difficult decisions to be taken by the board, its partners and stakeholders.

Governance, transparency and value for money

- 10** Governance arrangements were adapted for a second time to respond to the pressures of the Covid-19 pandemic. We have concluded that appropriate action was taken to ensure the continued good governance of the health board during this period. Whilst we recognise that normal governance arrangements have now resumed, we also acknowledge that their continuation is largely dependent on the progress of the pandemic.
- 11** The board has been de-escalated to stage two of the NHS Scotland Board Performance Escalation Framework for performance and service delivery but remains in stage four for specific issues relating to the Queen Elizabeth University Hospital and Royal Hospital for Children.
- 12** In March 2021, the Oversight Board Report and Case Note Review addressing the issues of infection prevention and control were published and made 61 recommendations for improvement which the board is taking forward.
- 13** NHS Greater Glasgow and Clyde has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic and work towards achieving the medium term vision set out in Moving Forward Together. Aligned with this, the board has adapted its performance management framework to support the Scottish Government's Clinical Prioritisation Framework and has regularly reported progress during 2020/21.
- 14** Prior to the outbreak of Covid-19 NHS Greater Glasgow and Clyde was making steady progress towards the delivery of most key access targets. However, all the work and improvement activity into achieving this has had to be temporarily suspended across Scotland on a phased basis from the week beginning 16 March 2020.
- 15** NHS Greater Glasgow and Clyde has an appropriate and effective best value framework in place but this could be enhanced by formalising the reporting against each of the Best Value characteristics.

Introduction

1. This report summarises the findings from our 2020/21 audit of NHS Greater Glasgow and Clyde (the Board). The scope of our audit was set out in our Annual Audit Plan presented to the 16 March 2021 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](#)

2. The main elements of our audit work in 2020/21 have been:

- an audit of NHS Greater Glasgow and Clyde's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of NHS Greater Glasgow and Clyde's key financial systems
- consideration of the four audit dimensions.

3. The global coronavirus pandemic has had a considerable impact on NHS Greater Glasgow and Clyde during 2020/21. This has led to significant implications for the services it delivers and for the costs of healthcare provision. It also resulted in the suspension of non-essential projects and activities. Risks related to the pandemic were included in our Annual Audit Plan (AAP), and we have adapted our planned audit work to address any new emerging risks where necessary.

Adding value through the audit

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

- 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
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides.

5. 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.** The body 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 body is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.
- 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. 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. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
- 9.** 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.
- 10.** 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

- 11.** 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.
- 12.** 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 2020/21 audit fee of £407,810, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 13.** This report is addressed to the Board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance.

Main judgements

Our audit opinion on the annual accounts are unqualified and unmodified. The financial statements have been prepared to a high standard and are supported by a comprehensive set of working papers.

The ongoing Covid-19 restrictions impacted on the normal timetable for the audit, but we received the unaudited annual report and accounts and working papers by the agreed date of 7 June 2021. We carried out all aspects of our audit remotely, which created some challenges, and our audit took longer to complete. However, working with officers and staff from the health board we were able to address these challenges and minimise their impact.

The annual report and accounts will be signed in line with the revised statutory deadline of 30 September 2021.

Our audit opinions on the annual report and accounts are unmodified

14. The board approved the annual report and accounts for the year ended 31 March 2021 on 21 September 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the financial position of the health board as at 31 March 2021 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.

The annual report and accounts are due to be signed in line with the revised statutory deadline

15. As a result of the continuing impact of Covid-19 the Scottish Government extended the deadline for the submission of health board audited annual report and accounts from 30 June 2021 to 30 September 2021. This mirrored the 2019/20 arrangements.

16. The unaudited annual report and accounts were received in line with our agreed audit timetable on 7 June 2021. The ongoing Covid-19 restrictions meant that we carried out all aspects of our audit remotely. The working papers provided by the board to support the accounts were of a good standard and the audit team received excellent support from finance staff, which helped to ensure that the audit process ran smoothly.

Overall materiality is £30 million

17. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£30 million (£27 million)
Performance materiality	£18 million (£16 million)
Reporting threshold	£250 thousand (£250 thousand)

Audit Scotland Annual Audit Plan 2020/21 (planning materiality in brackets)

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

18. [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 inform where the efforts of the team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

A resolution has been agreed for all significant findings from the audit

19. 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 at [Appendix 1](#) has been included.

20. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2 Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Accounting treatment of waiting list backlog</p> <p>The unaudited accounts include a £48 million accrual that relates to an additional allocation from Scottish Government to address the backlog on elective procedures that has arisen due to Covid-19. We reviewed the basis of this accrual and concluded that the estimated value of the waiting list backlog was reasonable and there is evidence to demonstrate that this activity needs to take place in future years. However, there is no evidence to indicate that a constructive obligation existed at 31 March 2021 and so, in our view, the expenditure should not be accrued.</p>	<p>An appropriate alternative accounting treatment has been agreed with officers, which includes:</p> <ul style="list-style-type: none"> • The transfer of £20 million to Glasgow City IJB to retain in an earmarked reserve which will only be used as required to reduce the waiting list backlog in future years. • The return of £28 million to Scottish Government. This will be reflected as a reduction in the revenue resource allocation to NHSGGC. <p>The net impact of adjusting the 2020/21 accounts on the revenue resource outturn is nil.</p>
<p>2. Queen Elizabeth University Hospital (QEUH) - public inquiry and legal case</p> <p>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. The contractors have challenged the court action against them, and the outcome of initial hearings in respect of this challenge is currently awaited. Significant uncertainty remains over the direction of the legal proceedings and the costs to the board.</p> <p>Paragraph 84.</p>	<p>A contingent liability disclosure has been added to the accounts to reflect the cost of the QEUH public inquiry and legal proceedings raised against the board's main contractors. It is not possible to quantify these potential costs at this stage. This will be reviewed in future years to ensure it is appropriately reflected in the accounts.</p>

Issue	Resolution
<p>3. Clinical and medical negligence claims: re-opened cases</p> <p>We sought third party confirmation from the Central Legal Office on the clinical and medical negligence claim data used to estimate the provision in the accounts. This identified that 18 legal claims valuing £12.7 million had been omitted from the calculation as they had not been identified as re-opened. This was an isolated error and all other data used in the calculation was found to be complete and accurate.</p>	<p>The accounts have been adjusted to reflect the re-opened clinical and medical negligence claims based on their estimated value and risk factor.</p> <p>The net impact of adjusting the 2020/21 accounts on the revenue resource outturn was nil.</p>
<p>4. Payments to hospices</p> <p>Late guidance on the accounting treatment of hospice sustainability and £500 bonus payments advised that NHS boards are acting as agents for the Scottish Government in respect of these transactions. This means that NHS boards should not account for the expenditure and income associated with these transactions. Although the payments were correctly removed from the board's Statement of Consolidated Net Expenditure in the unaudited accounts, we noted that the amounts were still reflected in the cash drawn down from Scottish Government. The total value of these payments was £6.8 million.</p>	<p>The accounts have been adjusted to remove the cash drawn down relating to payments to hospices under agency arrangements. An explanatory note has been included within the financial performance section of the performance report to reconcile the difference. An additional disclosure note has also been added to the audited accounts to set out this agency arrangement and the values concerned.</p>
<p>5. Non-current asset revaluation</p> <p>Our testing identified that the increase in value of one of the assets revalued by the health board during 2020/21 had been incorrectly accounted for in the financial statements. Consequently, the Revaluations Reserve was understated by £2.693m and the General Fund Balance was overstated by the same amount. Further testing confirmed that this was an isolated error.</p>	<p>The accounts have been adjusted to correct the error identified. This has resulted in a £2.693 million increase in the revaluation reserve balance at 31 March 2021 and a corresponding decrease in the general fund balance.</p>

Source: Audit Scotland

The accounts were adjusted to reflect a late change in accounting guidance

21. To protect health staff during Covid-19, NHS NSS ordered supplies of PPE and issued it to boards to use. The Scottish Government had initially concluded that these products should not be accounted for by the health boards but subsequently revised the accounting treatment in June 2021 and provided the relevant figures to the health board for inclusion in the 2020/21 accounts. Revised funding allocation letters were also issued to cover the cost of these items. The accounts have been updated to reflect costs and corresponding funding of £27.8 million. The net impact of adjusting the 2020/21 accounts was nil. Similarly, the costs and funding for Covid-19 testing kits of £9.6 million have also been reflected in the revised accounts.

Identified misstatements were above our performance materiality but we did not need to revise our audit approach

22. Total misstatements identified were £58 million. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We reviewed our audit approach to consider if additional testing was required.

23. Audit adjustments made in the accounts decreased net expenditure in the Consolidated Statement of Comprehensive Net Expenditure by £38 million and increased net assets in the Consolidated Statement of Financial Position by £38 million. This is mostly attributable to the change in accounting treatment of the waiting list backlog ([Exhibit 2](#) – Issue 1).

24. One other misstatement, relating to FHS accruals, was identified as detailed in Appendix 3. This was not processed through the financial statements and 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.

25. 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

26. The Board has made good progress on implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

NHS Greater Glasgow and Clyde operated within its revised Revenue Resource Limit, reporting a small underspend of £0.5 million, and maintained effective internal control systems throughout the year despite changed ways of working due to Covid-19.

The financial impact of Covid-19 on the board and the six Integration Joint Boards (IJBs) for the 2020/21 financial year is estimated to be in the order of £268 million. These costs were met by the Scottish Government.

In 2020/21 the board delivered against its savings target of £108 million but £93.4 million of the solutions were non-recurring and will be challenging to convert to ongoing savings in future years.

NHS Greater Glasgow and Clyde operated within its Revenue Resource Limit (RRL)

27. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which health boards are required by statute to work within. In response to the pandemic throughout 2020/21, additional non-recurring funding allocations were provided based on the estimated financial impacts of the pandemic on the board.

28. [Exhibit 3](#) below shows that the board operated within its limits during 2020/21. Actual expenditure was marginally lower than forecast and as a result NHS Greater Glasgow and Clyde reported a small underspend.

Exhibit 3

Performance against resource limits in 2020/21

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	3,177.076	3,176.598	0.478
Non-core revenue resource limit	93.590	93.590	0
Total revenue resource limit	3,270.666	3,270.188	0.478
Core capital resource limit	79.957	79.947	0.01
Non-core capital resource limit	21.076	21.076	0
Total capital resource limit	101.033	101.023	0.01
Cash requirement	3,117.214	3,110.396	6.818

The outturn on cash requirement differs from the cash limit set due to the treatment of payments to hospices, which, in line with recommended practice, have been treated on an “agency” basis.

Source: NHS Greater Glasgow and Clyde Annual Report and Accounts 2020/21

The financial impact of Covid-19 was significant

29. As part of the NHS re-mobilisation exercise health boards undertook significant work to assess and estimate the financial impact of the pandemic under two broad headings:

- increased costs for Covid-19 related activity; and
- decreased costs due to reduced demand in other areas and loss of income.

30. These estimates were kept under review and reported to the Scottish Government on a regular basis. [Exhibit 4](#) shows the Covid-19 expenditure reported by the board and the six integration joint boards (IJBs) that are in formal partnership arrangements with NHS Greater Glasgow and Clyde Health Board. The net costs identified were met by additional funding allocations from the Scottish Government.

Exhibit 4

Financial impact of Covid-19

	Net impact (£m)
NHS Board	
Board only	176.0
Health & Social Care	
Health care services	23.4
Social care services	68.4
Net financial impact of Covid-19	267.8

Source: NHS Greater Glasgow and Clyde

31. Some of the significant areas of additional expenditure or reduced income in relation to Covid-19 reported by the board include:

- an increase of £62 million for temporary staff and overtime
- creating additional hospital bed capacity at a cost of £13 million
- additional deep cleaning costs of £14 million
- an increase in the cost of supplies, including £4 million for additional personal protective equipment (PPE)
- Covid-19 screening, testing and immunisations at a cost of £17 million
- a £14 million loss of income (e.g. overseas patients, catering facilities)

32. Several other allocations were received by the board for specific purposes, including the £500 bonus payment to health and social care staff, and additional integration authority support. Amounts earmarked by the Scottish Government for use by the IJBs were transferred to them and the IJBs can retain any unspent funding within their reserves. All six IJBs are reporting a significant increase in their year end reserves position as a result of late funding allocations.

£108 million of efficiency savings were achieved but 86 per cent was on a non-recurring basis

33. In 2020/21, NHS Greater Glasgow and Clyde was required to make efficiency savings of £108 million. This was achieved despite the pandemic, however, the board relied heavily on non-recurring solutions including support from Scottish Government and underspends on elective activity due to Covid-19.

34. Only £14.6 million of the total savings achieved were on a recurrent basis. This means that £93.4 million, or 86 per cent, of the savings achieved are one-off and will not result in ongoing savings in future years. We have previously reported on the board's increasing reliance on non-recurrent savings and over the medium to long term this approach is unsustainable.

35. We recognise that the board's ability to progress savings initiatives through the Financial Improvement Programme in 2020/21 was significantly impacted by Covid-19. However, the scale of the underlying deficit that has resulted from this, combined with other long term impacts of Covid-19, will be a significant challenge for the board to overcome in the years ahead. A new Head of the Financial Improvement Programme has been appointed to drive forward the savings activity in 2021/22. The board has agreed that the key financial objective is to reduce the underlying recurring deficit.

Financial systems of internal control are operating effectively

36. Our management letter presented to the Audit and Risk Committee on 22 June 2021 concluded our findings from the review of systems of internal controls. We concluded that the controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect NHS Greater Glasgow and Clyde's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

37. We identified two areas for improvement relating to user access reviews and the process for identifying a capitalisation date for assets under construction. Officers accepted the recommendations and committed to actioning them with immediate effect.

We identified areas for improvement in the capital accounting process and action is being taken to address this

38. In our 2019/20 annual audit report we recommended that NHS Greater Glasgow and Clyde establish appropriate arrangements for the verification of assets. This year we have seen improvement, with a verification exercise being initiated. Asset listings were sent to the responsible Heads of Finance to confirm the accuracy of the listing. However, only a limited number of responses were provided and so the exercise is incomplete. We were, therefore, unable to place assurance on the process and undertook substantive testing to gain assurance in this area. In addition to the verification exercise, management have advised that going forward specific department/site verification checks will be undertaken.

Recommendation 1

The arrangements for the verification of assets should be fully implemented. This includes establishing management responsibilities within departments for ownership of assets and the timeous return of relevant documentation to the fixed asset team.

39. The NHS Scotland Capital Accounting Manual requires boards to assess, at each reporting date, whether there is any indication that an asset should be impaired. Currently at NHS Greater Glasgow and Clyde, the fixed asset team relies on local teams to inform them of impairments as they occur. The opportunity exists for a more formal process to be implemented to provide annual assurance that all impairment indicators have been identified.

Recommendation 2

A formal impairment review should be carried out annually by the Capital Planning Group and provided to the fixed asset team to support the preparation of the annual accounts.

Early indications are that changes within the finance structure at a senior level are working well

40. A restructure of the finance function was delayed by Covid-19. The restructure commenced in 2020/21 and is now nearing conclusion. Phase 1 was completed in 2020/21 with the appointment of the three new Assistant Directors of Finance. Each of these posts has defined responsibilities, covering: Financial Services, Capital and Payroll, Financial Planning and Performance, Acute and Access.

41. There is a risk associated with change of this magnitude at a senior level in any organisation, partly due to the loss of knowledge and expertise of previous post holders. However, our experience from an audit perspective is that the risks are being well managed, and the changes have been positive for the board.

42. We have previously reported on a reduction in staff working in a finance role within NHS Greater Glasgow and Clyde. We identified that although the overall number of qualified staff has remained stable, the corporate finance function has a significantly smaller proportion of professionally qualified staff and this could limit capacity and place additional pressure on a small number of key individuals.

43. Phase 2 of the restructure addresses management posts beneath Head of Finance level to ensure that the department has sufficient capacity and capability going forward. Several new and revised posts have been agreed as part of this process and interim appointments have been made to key roles pending conclusion of the restructure.

Shared systems can be relied on for recording board costs

44. The NHS in Scotland procures several service audits each year for shared systems. Within this suite of service audits, NHS National Services Scotland (NSS) procures service audits covering primary care payments.

45. The service auditor assurance report for primary care payments was qualified in 2019/20 and again in 2020/21. The most significant matters leading

to this qualification were issues relating to the retention of documentation at NHS NSS who have subsequently provided assurance to all health boards that processes will be improved to address these matters. 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.

46. NHS Greater Glasgow and Clyde has made appropriate disclosures on the matter in the 2020/21 governance statement.

Standards of conduct for prevention and detection of fraud and error are appropriate

47. 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.

48. 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.

49. NHS Greater Glasgow and Clyde took the opportunity to review and enhance its whistleblowing policy and procedures to align with [The National Whistleblowing Standards](#) from April 2021. A retrospective 3-year review of individual and management experience of whistleblowing was carried out to inform the development of the whistleblowing policy. A Whistleblowing Partnership Working Group has been established to oversee the implementation of the new standards and to implement the recommendations from the review.

50. 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.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

Main judgements

In line with Scottish Government guidance NHS Greater Glasgow and Clyde developed a one-year financial plan for 2021/22. The pandemic continues to have a significant operational and financial impact and the full extent of this is still to be evaluated over the medium term.

The board aims to achieve recurring savings through its Financial Improvement Programme (FIP) and there is a clear governance structure in place to support this. However, the scale of savings required to address the £93 million underlying deficit and achieve a recurring breakeven position is significant. At the end of the first quarter of 2021/22 the board reported an overspend of £35.9 million, in line with the previously agreed financial plan. This position does not reflect any supporting non-recurring funds.

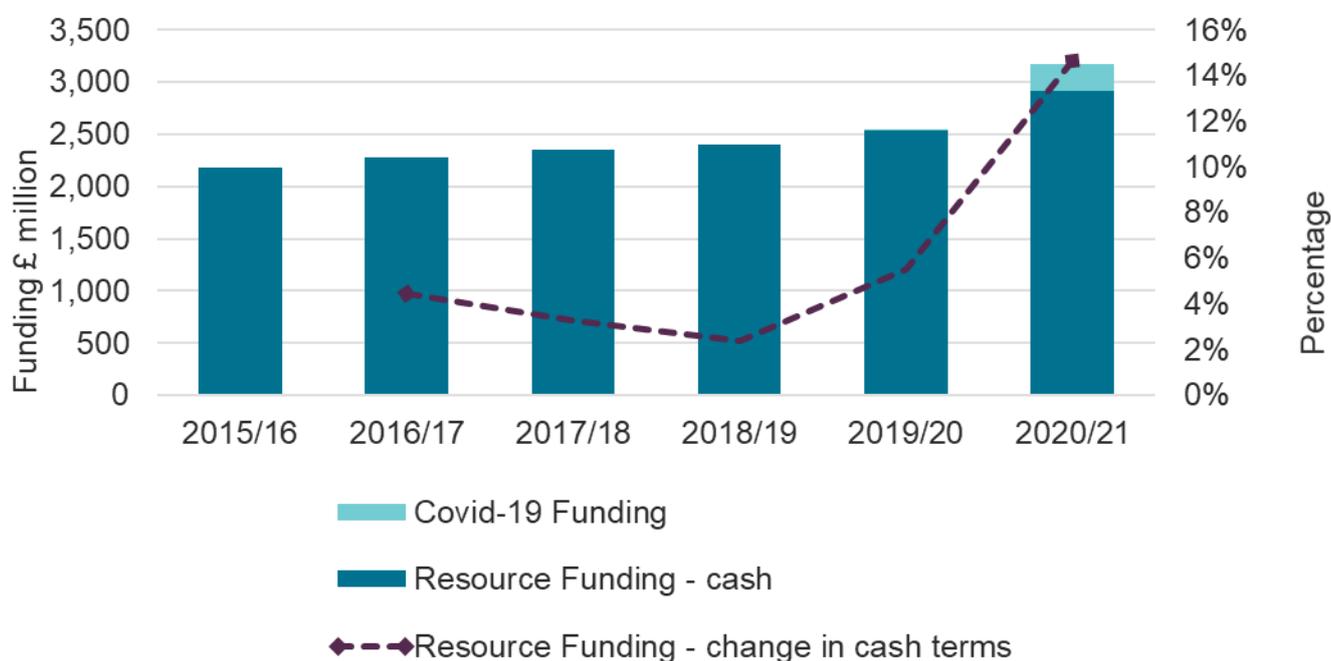
The pandemic continues to have a significant impact and its pressures are still evident across the system. The FIP, by necessity, is ambitious and transformational and, therefore, will require a number of difficult decisions to be taken by the board, its partners and stakeholders.

Underlying core revenue funding has increased by 14.7 per cent from 2019/20

51. The board's core revenue funding (excluding additional Covid-19 funding) from the Scottish Government increased by 14.7 per cent in cash terms compared to 2019/20 ([Exhibit 5](#)).

Exhibit 5

Movement in cash terms core revenue funding to NHS Greater Glasgow and Clyde excluding Covid-19 funding



Source: NHS Greater Glasgow and Clyde accounts / Audit Scotland

52. Specific funding allocations that have contributed to the increase in year include £25 million to reduce the backlog in elective surgery, £39 million to support the accumulation of annual leave due to Covid-19, £15 million to fund the backdated pay award, and £22 million to support integration joint boards. There was also an additional £268 million to cover the estimated impact of Covid-19 as submitted to Scottish Government by the board.

53. The current 2021/22 Scottish budget includes another rise in baseline funding of £33 million (or 1.4 per cent) for NHS Greater Glasgow and Clyde. A further £869m of additional Covid19 related funding will also be distributed across NHS Scotland in 2021/22.

NHS Greater Glasgow and Clyde has prepared a one year financial plan for 2021/22 as required by the Scottish Government and faces a significant challenge to breakeven and reduce the underlying recurring deficit

54. The requirement to produce three year financial plans as part of the medium term financial framework has been paused due to the pandemic. NHS boards were asked to complete a one year plan for 2021/22.

55. NHS Greater Glasgow and Clyde's 2021/22 financial plan was approved by the board in March 2021. The forecast includes a higher degree of uncertainty due to the impact of Covid-19 on service levels and the related costs and funding. Forecasts in the financial plan are based on several assumptions

including allocation uplifts, pay cost growth, anticipated increase in prescribing costs, inflationary and future development costs.

56. The board identified that the financial projections need to remain fluid in 2021/22 due to the level of uncertainty that still exists around Covid-19. [Exhibit 6](#) outlines the initial financial projections which identified a cash efficiency challenge of £19.5 million.

Exhibit 6

2021/22 Financial Outlook

	£m
Additional cost pressures (excluding IJBs)	177.6
Offset by:	
Additional funding	(20.1)
Recurring savings	(35.0)
Non-recurring savings	(68.0)
Non-recurring support	(35.0)
Net cash efficiency challenge	19.5

Source: NHS Greater Glasgow and Clyde

The Financial Improvement Programme has been remobilised and a clear governance structure is in place

57. As stated previously, Covid-19 has exacerbated the financial challenge facing the board. The underlying deficit has increased to £93 million in 2021/22 from £55 million in 2020/21. A reduction in the underlying deficit from £93 million has been targeted for 2021/22, although this will depend on Covid-19 and other in year pressures.

58. The board aims to achieve savings through its Financial Improvement Programme (FIP) but due to Covid-19 the programme has been less active during 2020/21. A new Head of Financial Improvement has been appointed and there is now a clear governance structure in place to drive the work forward in 2021/22. This includes a Delivery Board that meets weekly to assess performance, and a Performance Board, which includes the Chief Executive, that meets monthly to carry out a more detailed review of schemes, enhance governance and take strategic decisions. There are several ongoing workstreams that form part of the programme, including:

- Procurement

- Prescribing
- Service redesign
- Ehealth, digital and innovation
- Property and asset management
- Workforce plans
- Income.

59. Reporting at the end of July 2021 indicates that £9 million savings have been achieved on a full year basis. At the end June 2021, the board reported an overspend of £35.9 million, which was almost wholly attributable to unachieved savings and is in line with the previously agreed financial plan. This presents a significant risk to the target reduction in the underlying deficit and the board breaking even in year. The board should continue to progress the Financial Improvement Programme in conjunction with the Remobilisation Plan and Moving Forward Together. Detailed recurring savings plans should be developed that will enable financial balance to be achieved in the current year and into the future.

Recommendation 3

Develop and implement detailed savings plans over the medium term which are aligned to the Remobilisation Plan and Moving Forward Together programme.

A new medium term financial plan needs to be developed to reflect the significant uncertainty and challenges created by Covid-19

60. NHS Greater Glasgow and Clyde's current medium term financial plan covers the years 2020/21 to 2022/23 and was prepared prior to the pandemic and so the assumptions and forecasts included need to be reviewed and reassessed. The board's current remobilisation plan is supported by financial projections over a one year period.

61. The opportunity exists to develop a new medium term financial plan in conjunction with stakeholders and partners, which recognises the ongoing challenges and significant uncertainty created by Covid-19. This should include a range of scenarios to support a flexible and agile response to changes in the environment. The financial plan will need to be aligned with the board's remobilisation plans and initiatives in the Financial Improvement Programme and Moving Forward Together.

62. Creating a robust medium term financial plan in the current context will be a complex and challenging process. However, it is a critical step if the board is going to deliver on its activity targets and wider objectives, at the same time as reducing the underlying deficit to a sustainable level over the medium term.

Preparing a three year financial and capital plan has been identified as one of the board's key financial objectives for 2021/22.

Recommendation 4

Develop a robust medium term financial plan with stakeholders and partners to include a range of different scenarios to reflect the uncertain environment that exists and be aligned with the board's transformation and savings programmes to support a reduction in the underlying deficit.

The board's transformation programme, Moving Forward Together, was paused due to Covid-19 but progress has continued in some areas

63. 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.

64. The Moving Forward Together ambition 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. Due to Covid-19 the transformation programme has not progressed as planned and some areas have been paused, whilst some have developed more quickly than expected. This includes the use of eHealth (e.g. virtual consultations) and the establishment of the Navigation Flow Hub to direct patients to the most appropriate service.

65. While there has been significant additional funding provided to the board and its partners in 2020/21, this has been allocated as non-recurring funding and there will be a need to refocus on service redesign programmes going forward. The formal governance structure that supports Moving Forward Together recommenced in August 2021.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information.

Main judgements

Governance arrangements were adapted for a second time to respond to the pressures of the Covid-19 pandemic. We have concluded that appropriate action was taken to ensure the continued good governance of the health board during this period. Whilst we recognise that normal governance arrangements have now resumed, we also acknowledge that their continuation is largely dependent on the progress of the pandemic.

The board has been de-escalated to stage two of the NHS Scotland Board Performance Escalation Framework for performance and service delivery but remains in stage four for specific issues relating to the Queen Elizabeth University Hospital and Royal Hospital for Children.

In March 2021, the Oversight Board Report and Case Note Review addressing the issues of infection prevention and control were published and made 61 recommendations for improvement which the board is taking forward.

The board amended its governance arrangements in January 2021 due to pressures from the second wave of Covid-19

66. 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.

67. We reported in last year's annual report on the revised governance arrangements introduced by NHS Greater Glasgow and Clyde including the suspension of the standing committee structure and the establishment of an interim board to undertake delegated business. Overall, we concluded that governance arrangements in place were appropriate and operated effectively.

68. In January 2021, there was a further amendment to the governance arrangements considering the significant pressure arising from the second wave of the Covid-19 pandemic. This included the suspension of all standing committee meetings between January and early March 2021. The full committee timetable resumed from mid-March 2021 and the decision to re-

establish the full standing committee structure was approved by the board on 30 June 2021.

69. Board and committee meetings continued to operate effectively during a period of significant uncertainty and change in 2020/21 and appropriate levels of scrutiny and challenge have been present in these meetings throughout the year.

An independent review of NHS Greater Glasgow and Clyde's governance arrangements identified five development areas

70. The Royal College of Physicians of Edinburgh Quality Governance Collaborative carried out an independent review of the governance of NHS Greater Glasgow & Clyde Health Board and reported its findings in April 2021. The review consisted of:

- A desktop review of NHSGGC's Governance Board self-assessment documentation prior to the commencement of observations
- A thorough observation of the board and sub-committee meetings (standing committees) between October 2020 and March 2021.

71. Overall, the review concluded that the board works well together, displays professionalism and its membership skills reflect the needs of NHS Greater Glasgow and Clyde. Other positive observations included evidence of a strong focus on risk architecture, a culture of openness and honesty and a consistent evaluation of patient safety and awareness throughout all discussions. An action plan is being developed based on five identified development areas.

72. A six phase Active Governance Programme has been developed by the board for 2021/22. Phase one and two are complete and include work around the assurance framework, risk management, audit and operating arrangements, support to board members and, communication and engagement.

The board has been de-escalated to stage two of the NHS Scotland Board Performance Escalation Framework for performance and service delivery but remains in stage four for specific issues relating to the Queen Elizabeth University Hospital and Royal Hospital for Children

73. 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 (QEUH) and Royal Hospital for Children (RHC) and the associated communication and public engagement. An Oversight Board was established and chaired by the Scottish Government's Chief Nursing Officer, reporting to the Chief Executive of NHS Scotland and the Cabinet Secretary.

74. 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.

75. During March 2021, as part of the assessment of the latest remobilisation plans submitted to the Scottish Government, a review of boards' escalated positions was undertaken. This examined information from the remobilisation plans as well as other relevant data. The review also considered any specific issues at the time of escalation. The outcome of this review was reported in June 2021 and the board was de-escalated to stage two in relation to performance and service delivery. Action taken to address the escalation concerns has been set out in the board's Remobilisation Plan 3. However, the board remains at stage four in relation to issues around the systems, processes and governance relating to infection prevention, management and control at the Queen Elizabeth University Hospital and the Royal Hospital for Sick Children.

A Gold Command delivery group has been established to oversee the delivery of actions in response to the Oversight Board Report and Case Note Review

76. The Oversight Board based its investigation into the QEUH / RHC escalation issues around four key questions:

- To what extent can the source of the infections be linked to the environment and what is the current environmental risk?
- Are IPC functions "fit for purpose" in NHSGGC, not least in light of any environmental risks?
- Is the governance and risk management structure in NHSGGC adequate to pick up and address infection risk?
- Has communication and engagement by NHSGGC been sufficient in addressing the needs of children, young people and families with a continuing relationship with the Health Board in the context of the infection incidents?

77. The final Oversight Board Report was published in March 2021. A total of 18 recommendations were made by the Oversight Board across the areas of infection prevention and control, governance and risk management, communication and engagement and general issues. This included 12 recommendations that were specific to the Board and 6 to be considered nationally. The Oversight Board concluded that the Board should not be de-escalated from stage four, however, recognised the action already taken to make improvements.

78. At the same time an independent Case Note Review was commissioned to examine the individual incidents of infection among the children and young people affected. This was reported at the same time as the Oversight Board Report. The review was conducted by a panel of independent experts, led by Professor Mike Stevens, Emeritus Professor of Paediatric Oncology from the University of Bristol. The findings stated that they were unable to identify evidence that unequivocally provided a definite relationship between any

infection episode and the hospital environment. However, in the absence of a definitive link to the environment, they felt the possibility of a link remained strong.

79. A total of 43 recommendations over 15 themes were reported through the Case Note Review. As with the Oversight Board, the board was credited for the action already being taken. A Gold Command delivery group, chaired by the board's Chief Executive, is in place to ensure that all recommendations from both reports are progressed.

80. The Oversight Board has been replaced by the Advice, Assurance and Review Group (AARG), which met for the second time in August 2021.

Resources have been increased to support the Scottish Hospitals Public Inquiry

81. The Scottish Hospitals Public Inquiry (the Inquiry) into the construction of the QEUH campus and the Royal Hospital for Children and Young People in Edinburgh was launched in August 2020. 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. The PMO is responsible for managing the Inquiry requirements in terms of administration and document flow and assessment. Resources within the PMO have been increased, and a single team is now in place to manage the Inquiry and the legal claim ([Paragraph 84.](#)). The Executive Oversight Group, which was established to ensure effective and transparent decision making, has increased the frequency of its meetings to weekly to support decision making.

82. The Inquiry is led by the Rt Honourable Lord Brodie and the timescales for 2021 were set out earlier in the year. This included the issue of formal evidence requests on 1 February 2021. Work is underway to respond to the information requests and this is likely to continue for several months. The key areas of interest include:

- Adequacy of ventilation, water contamination and other matters adversely impacting on patient safety and care
- Governance and project management
- Effects of the issues identified on patients and their families.

83. On 22 June 2021, the first formal hearing of the Inquiry took place. This was a procedural hearing, and the substantive hearings of the Inquiry will begin on 20 September 2021. The focus of this first set of hearings is to enable the Inquiry to understand the experiences of affected patients and their families. A development seminar will take place on 15 September 2021 to ensure board members are well informed ahead of the substantive hearings.

The outcome of the legal debate is not known

84. In December 2019, the board initiated court proceedings against the parties responsible for delivering the QEUH/RHC construction project and engaged solicitors (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 internal fabric moisture ingress. The contractors have challenged the court action against them on the basis of:

- whether it was a contractual requirement for both parties to adjudicate prior to raising the Court action – this is a feature of NEC 3 contracts
- whether the NHSGGC claim was within the five year time bar when lodged through court action in January 2020.

85. Hearings in relation to the above were held at the end of July 2021 and it is expected to take between 8 and 12 weeks from that date for the Court to reach its decision as to whether and in what form the case can proceed. Consequently, there remains significant uncertainty over the direction of the legal proceedings and therefore the overall cost to the board, both in terms of finances and the associated workload is also uncertain at this stage. A contingent liability has been disclosed in the accounts to recognise the possible obligations that may arise following the outcome of the legal debate.

5. Value for money

Using resources effectively and continually improving services.

Main judgements

NHS Greater Glasgow and Clyde has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic and work towards achieving the medium term vision set out in Moving Forward Together. Aligned with this, the board has adapted its performance management framework to support the Scottish Government's Clinical Prioritisation Framework and has regularly reported progress during 2020/21.

Prior to the outbreak of Covid-19 NHS Greater Glasgow and Clyde was making steady progress towards the delivery of most key access targets. However, all the work and improvement activity into achieving this had to be temporarily suspended across Scotland on a phased basis from the week beginning 16 March 2020.

NHS Greater Glasgow and Clyde has an appropriate and effective best value framework in place but this could be enhanced by formalising the reporting against each of the Best Value characteristics.

NHS Greater Glasgow and Clyde's Remobilisation Plan 3 outlines how the board will address backlogs caused by the Covid-19 pandemic and restore performance levels

86. The Scottish Government has requested NHS boards produce and regularly revise remobilisations plans which outline plans for the restoration of normal health services. NHS Greater Glasgow and Clyde's Remobilisation Plan 3 was submitted to Scottish Government in April 2021 and covers the period 1 April 2021 to 31 March 2022. The board is now working on Remobilisation Plan 4. Moving Forward Together (MFT) continues as the key strategic document, setting out the medium term vision for clinical services in NHS Greater Glasgow and Clyde.

87. NHS Greater Glasgow and Clyde's Remobilisation Plan 3 includes a series of planned actions across 11 key priorities – workforce, public health, social care, planned care, unplanned care, mental health, primary and community care, addressing inequalities, digital and eHealth, patient experience and, finance and capital. Key planned actions include:

- Covid-19 local testing / vaccinations and continuing with remote working and social distancing to support staff and patient safety

- Greater use of digital such as virtual patient management to increase planned care activity, improve patient care and support new services
- Working with health and social care partners to reduce delayed discharges, maximise independence and effectively manage unscheduled care.

NHS Greater Glasgow and Clyde has adapted performance monitoring and reporting to reflect the Clinical Prioritisation Framework

88. In November 2020 the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid-19 safety and priority measures are in place.

89. While the duties under the Patient Rights (Scotland) Act 2011 still apply, it is expected that the framework is the primary tool for monitoring service performance during the pandemic.

90. NHS Greater Glasgow and Clyde has adapted its internal performance reporting to reflect this and has reported against the trajectories in its remobilisation plans. Performance updates have been considered at regular intervals by the board and relevant committees throughout 2020/21, and board papers can be accessed by the public through the NHS Greater Glasgow and Clyde website.

91. The performance scorecard at the end of March 2021 sets out performance against the targets and trajectories in the board's Remobilisation Plan 2. This report shows activity was on target for 10 out of 14 indicators. Areas of activity not on target at this point included the number of accident and emergency attendances and four-hour breaches, the number of delayed discharges and cancer 31 days referral to treatment.

92. The latest performance report from August 2021 highlights that the format of performance reporting will continue to be reviewed and tailored. In August 2021, performance reported against trajectories set out in the board's Remobilisation Plan 3 is on track for seven out of the eleven indicators.

93. During the period April to June 2021 positive progress was reported in a number of key areas including:

- Performance by far exceeded trajectory in relation to the number of key diagnostic tests carried out with a total of 1,981 more scopes and 44,033 more imaging tests carried out than planned.
- New outpatient activity was 2.3 per cent above the trajectory the board saw 1,350 more new outpatients either in person or virtually than planned.
- A total of 3,785 more inpatient / day cases were seen than planned.

- The number of eligible patients accessing psychological therapies was on target. NHS Greater Glasgow and Clyde was the best performing territorial health board in Scotland in relation to the number of patients starting their psychological therapy treatment based on the latest published data for the quarter ending March 2021 that shows 89.7% of patients started their treatment within 18 weeks of referral against the national target of 90%.

94. Whilst positive progress continues to be made, there is still a waiting list backlog and there are areas where performance has been more challenging, including:

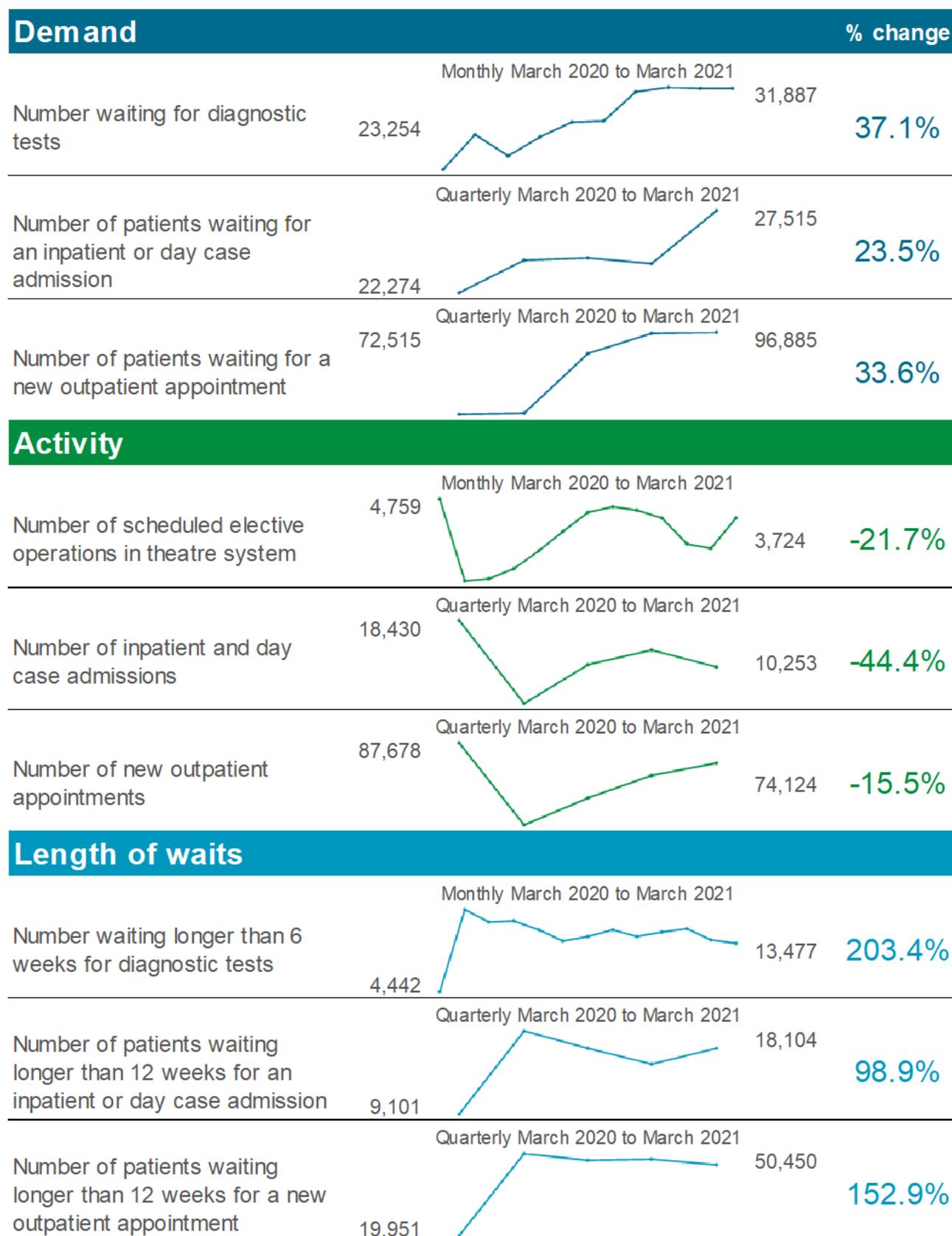
- Number of delayed discharges is 39.6 per cent above the target for April to June 2021. Addressing this is key priority for the board and its health and social care partners. Adults with Incapacity (AWI) present the most significant challenge.
- The number of eligible patients seen by the Child and Adolescent Mental Health Services (CAHMS) was 21.4 per cent below target for the period April to June 2021. Improvement actions being implemented include recruitment of staff, contact and support for families with children waiting more than 40 weeks, overbooking first appointments due to high levels of Do Not Attends (DNAs), group therapy sessions.
- Cancer 31 days referral to treatment activity was 19.8 per cent below target in the period April to June 2021. All cancer patients awaiting surgery continue to be reviewed on a weekly basis and cases are booked for surgery in line with urgency categories. Despite activity levels being lower than planned, the 31 days cancer waiting times performance has been consistently above target during the pandemic.

Covid-19 has had a significant impact activity and waiting lists

95. The 2020/21 annual report and accounts include the position at the end of March 2021 on the board's performance against the delivery of key service priority milestones rather than the previously reported waiting times and access targets. [Exhibit 7](#) demonstrates how activity and waiting times have been impacted by Covid-19.

Exhibit 7

Trends in demand and activity per acute services



Source: Public Health Scotland

96. The data shows that activity and waiting times have been significantly impacted by Covid-19. In particular, the number of people waiting more than six weeks for a diagnostic test has increased by 203 percent. Similarly, the number of people waiting more than 12 weeks for an outpatient appointment has increased by 153 per cent. This is reflected in the board's performance against the national waiting time standard - outpatients waiting less than 12 weeks. Performance against this standard has fallen from 71.7 per cent at 31 March 2020 to 47.5 per cent at 31 March 2021.

97. Despite Covid-19, NHS Greater Glasgow and Clyde has managed to maintain or improve performance year on year against most of the national waiting time standards. Activity levels are improving, and the board has recently reported that it is on track to deliver against its new outpatient activity trajectory included in the Remobilisation Plan 3.

NHS Greater Glasgow and Clyde has developed a Best Value framework

98. [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.

99. NHS Greater Glasgow and Clyde aims 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.

100. The board's Financial Improvement Programme 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 service delivery.

101. This process could be further enhanced with the production of an annual update detailing the arrangements and processes that support the seven characteristics set out in guidance issued to Accountable Officers by the Scottish Government. This should then be considered by the board or appropriate committee.

Recommendation 5

Prepare an annual update detailing the arrangements and processes in place that support each of the Best Value characteristics.

National performance audit reports

102. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2020/21 a number of reports were published which may be of direct interest to the board and are highlighted in [Appendix 4](#).

103. The NHS Overview Report on the 2020/21 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 2022.

Appendix 1. Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Existence of assets</p> <p>In our 2019/20 annual audit report we recommended that NHS Greater Glasgow and Clyde establish appropriate arrangements for the verification of assets. Asset listings were sent out to confirm the accuracy of the listing. However, only a limited number of responses were provided and so the exercise is incomplete.</p> <p>Risk – The underlying fixed assets records are incomplete.</p>	<p>The arrangements for the verification of assets should be fully implemented. This includes establishing management responsibilities within departments for ownership of assets and the timeous return of relevant documentation to the fixed asset team within finance to ensure accounting records are complete.</p> <p>Paragraph 38.</p>	<p>Agreed. Although we also note the materiality proviso.</p> <p>Responsible officer Head of Financial Services</p> <p>Agreed date 31 March 2022</p>
<p>2. Impairment review</p> <p>The fixed asset team rely on local teams to inform them of impairments as they occur.</p> <p>Risk – There is a risk that the accounts are incorrectly stated.</p>	<p>A formal impairment review should be carried out annually by the Capital Planning Group and provided to the fixed asset team to support the preparation of the annual accounts.</p> <p>Paragraph 39.</p>	<p>Agreed. The Head of Finance Capital will ensure a formal impairment review is carried out through the Capital Planning Group each year and update the Fixed Asset team on the outcome of that review to support the preparation of the annual accounts.</p> <p>Responsible officer Head of Finance – Capital</p> <p>Agreed date 31 March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Financial Sustainability</p> <p>The board achieved its 20/21 savings target of £108 million but was largely reliant on non-recurring solutions. A target has been set to reduce the underlying deficit from £93 million to £63 million in 21/22.</p> <p>Risk – The savings requirements may not be identified and achieved.</p>	<p>Develop and implement detailed savings plans over the medium term which are aligned to the Remobilisation Plan and Moving Forward Together programme. The savings plans should articulate how savings will be achieved.</p> <p>Paragraph 57.</p>	<p>The board will continue to develop and implement medium term savings and financial plans aligned to the Remobilisation Plan and Moving Forward together in line with the timetables set out by Scottish Government, which are influenced by the ongoing pandemic.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date Ongoing</p>
<p>4. Medium term financial planning</p> <p>NHS Greater Glasgow and Clyde’s current medium term financial plan is up to 2022/23 and was prepared prior to the pandemic so is out of date. The finalisation of a three year financial and capital plan has been identified by the board as a key financial objective.</p> <p>Risk – financial sustainability is not achieved in the medium term.</p>	<p>Develop a robust medium term financial plan with stakeholders and partners to include a range of different scenarios to reflect the uncertain environment that exists and be aligned with the board’s transformation and savings programmes to support a reduction in the underlying deficit.</p> <p>Paragraph 60.</p>	<p>The board will continue to develop and implement medium term savings financial plans aligned to the Remobilisation Plan and Moving Forward together in line with the timetables set out by Scottish Government, which are influenced by the ongoing pandemic. We continue to work with Scottish Government on medium term financial planning.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date Ongoing</p>
<p>5. Review of Best Value arrangements</p> <p>The best value process could be further enhanced with the production of an annual update.</p> <p>Risk – opportunities for improvement may be missed</p>	<p>Prepare an annual update detailing the arrangements and processes in place that support each of the Best Value characteristics.</p> <p>Paragraph 98.</p>	<p>Agreed. The Financial Planning & Performance Committee will prepare an annual Best Value update detailing the arrangements and processes in place to support each of the Best Value characteristics.</p> <p>Responsible officer Head of Corporate Governance</p> <p>Agreed date 30 June 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>6. Performance and Accountability Reports</p> <p>The Performance and Accountability reports were not provided as part of the financial statement package within agreed timetables.</p> <p>Risk – The audit is delayed due to the absence of comprehensive complete report 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 should be applied to ensure they are delivered within agreed timescales and to an appropriate standard.</p>	<p>Complete</p>
<p>7. 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 Officer's review and consideration prior to the drafting of the Governance Statement.</p>	<p>Complete</p>
<p>8. 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</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>Superseded by Recommendation 1</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>team generally has a very poor response rate and contribute to records being out of date or incomplete.</p> <p>Risk – The underlying fixed asset records are incomplete.</p>		
<p>9. Accounting for Research and Development Contracts</p> <p>Although work has been undertaken on reviewing deferred income to ensure compliance with IFRS15 further work is still required to ensure full compliance.</p> <p>Risk – The board’s accounts may be misstated.</p>	<p>Inject more pace into the continued review of deferred income to ensure full compliance with the requirements of IFRS15.</p>	<p>Complete</p>
<p>10. 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>Complete</p>
<p>11. Review of Central Legal Office (CLO) post year end reports</p> <p>There is no process in place to obtain and review information received by the CLO after 31 March to determine if any adjustments are required to be processed</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>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>through the financial statements.</p> <p>Risk – There is a risk that the provisions within the accounts are understated and do not reflect all the claims received by the CLO.</p>		
<p>12. Finance 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>Complete</p>
<p>13. 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. 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>Superseded by Recommendation 3 and 4</p>

Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 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 financial statements and those relating to our wider responsibility under the Code of Audit Practice 2016.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focussed testing of accruals and prepayments.</p> <p>Evaluation of any significant transactions that are outside the normal course of business.</p>	<p>Results: We undertook detailed testing of journal entries, accruals and prepayments as planned. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>Conclusion: We did not identify any instances of management override of control.</p>
<p>2. Risk of material misstatement caused by estimations and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of non-current assets and provisions. This subjectivity represents an increased risk of misstatements in the financial statements.</p>	<p>Test management's controls and procedures over these estimations and judgements.</p> <p>Review of the work of management's expert valuers.</p> <p>Substantive testing of selected year-end valuation reports.</p> <p>Review information provided by the Central Legal Office.</p> <p>Focussed substantive testing within provisions on values</p>	<p>Results: We reviewed the work of the Central Legal Office and the valuer and ensured that their conclusions were accurately reflected in the balances disclosed in the accounts, including substantive testing of a sample of individual valuations and items making up the provisions balance.</p> <p>We assessed the reasonableness of the assumptions applied to the</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>and balances which are derived by valuation and estimation</p> <p>Review management's assessment of the appropriateness of the assumptions used in the valuation of certain assets and liabilities.</p>	<p>estimates and assessed the completeness of provisions through third party confirmation from the Central Legal Office and our knowledge of the health board.</p> <p>Conclusion: No issues were identified with the valuation of non-current assets. We identified some legal cases that had been omitted from the clinical and negligence provision. This was an isolated error and has been adjusted in the accounts.</p> <p>Exhibit 2</p>
<p>3. Existence of assets</p> <p>In 2019/20 we identified a risk of material misstatement around the existence of assets. We noted limited asset verification work is completed within the board and arrangements in place to inform the fixed asset team of disposals or changes in assets location or condition are inconsistent or not implemented.</p> <p>Our asset verification work focused on portable assets as these assets are more likely to be moved around and therefore could be more difficult to locate. We reported our findings in the 2019/20 Annual Audit Report. Management agreed to establish appropriate arrangements for the verification of assets. This included establishing management responsibilities within departments for ownership of assets and the return of relevant</p>	<p>Review of arrangements in place within the board for verifying assets.</p> <p>Focussed verification work undertaken on a sample of portable assets.</p>	<p>Results: An asset verification exercise was initiated in year. However, only a limited number of responses were provided and so the exercise was incomplete, and we were unable to place assurance on the process.</p> <p>We carried out additional testing to obtain assurance over the existence of portable assets. All assets selected could be verified to photographic evidence.</p> <p>Conclusion: The new asset verification process should be fully implemented in 2021/22. The timing should be aligned with the accounts preparation process so that management are provided with assurance that the fixed asset register is complete and accurate.</p> <p>Paragraph 38.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>documentation to the fixed asset team within finance to ensure accounting records are complete.</p>		
<p>4. Impact of additional funding due to Covid-19 on the financial statements</p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Health Board. The Scottish and UK governments have announced a range of additional funding streams to support frontline services and help the organisation manage the financial pressures caused by Covid-19. This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding in 2020/21 is expected to be in the region of £180 million.</p>	<p>Assess how the Board has processed and controlled the additional funding and associated expenditure.</p> <p>Assess how the additional funding and associated expenditure impacts on the financial statements.</p> <p>Review the Annual Report and Accounts and consider how the additional funding and associated expenditure has been reported.</p>	<p>Results: Review of financial monitoring arrangements, including separate reporting of Covid-19 income and expenditure.</p> <p>Review of control environment found no significant changes because of Covid-19 and controls were operating effectively throughout the year.</p> <p>Review of accounting treatment of Covid-19 specific items of income / expenditure including additional allocations, PPE and testing kits, £500 bonus payments, hospice sustainability payments.</p> <p>Review of assurances received over change in recognition of certain Family Health Service expenditure from actuals to estimates due to Covid-19.</p> <p>Conclusion: The accounts have been adjusted to ensure that PPE /testing kits (Paragraph 21.) and hospice sustainability payments (Exhibit 2) are correctly accounted for. No other issues in respect of this risk have been identified.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p>5. Financial sustainability - Short Term</p> <p>Whilst the board are projecting a year end break even position financial challenges going forward remain significant. The board received funding in 2020/21 in relation to additional costs resulting from the covid-19 pandemic and funding for savings not achieved.</p> <p>The board will face financial challenges in the short to medium term as routine services continue to remobilise. The Financial Improvement Programme will be important in driving forward identification and achievement of future efficiency savings within the board.</p>	<p>Monitor updates to the Financial Plan and the ongoing financial position.</p> <p>Review the monthly financial returns to the SGHSCD.</p> <p>Review the financial monitoring reports to the board, acute services committee, and finance, planning and performance committee.</p> <p>Attendance at the Finance Planning and Performance Committee.</p> <p>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.</p> <p>Review financial and savings plans over the medium term which are aligned to the Remobilisation Plan and Moving Forward Together programme.</p>	<p>Results: We reviewed the board's financial management arrangements and concluded that these are appropriate. The board achieved its target savings in 2020/21 and delivered against its financial targets. However, most savings were delivered through non-recurring solutions. The Financial Improvement Programme and Moving Forward Together were impacted by Covid-19 but action is being taken to drive this forward in 2021/22.</p> <p>Conclusion: The board needs to continue to develop and implement detailed savings plans over the medium term to reduce the underlying deficit over the next few years. A medium term financial plan should be developed in line with the timetables agreed with Scottish Government.</p> <p>Paragraph 57.</p>
<p>6. Financial Capacity</p> <p>Our 2019/20 AAR detailed that the finance function experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established, and the longer-term solution involved a restructure of the finance function. The first part of the finance restructure project is complete with the</p>	<p>We shall have early discussion with officers regarding the annual accounts timetable. Discussions will continue throughout the course of the audit.</p> <p>We will issue a working paper checklist to outline requirements and agree timescales for the receipt of unaudited accounts.</p>	<p>Results: We received the unaudited annual report and accounts in line with our agreed timescales and the working papers package provided was good quality.</p> <p>Phase 1 of the finance restructure was implemented in year and Phase 2 has been developed. This includes the recruitment of additional professionally qualified staff.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>appointment of three Assistant Director of Finance posts. The finance function is currently in a period of transition.</p> <p>Further review of the wider finance function has been undertaken and it will be important to ensure appropriate provision of experience and knowledge is in place across finance to mitigate any potential issues with financial management or accounts preparations.</p>		<p>Conclusion: Changes within the finance structure at a senior level are working well. Phase 2 of the finance restructure has been developed to further improve the capability and capacity of the finance function.</p> <p>Paragraph 40.</p>
<p>7. Senior Management Capacity</p> <p>NHS Greater Glasgow and Clyde has experienced exceptional challenges this year; the Covid 19 pandemic, continued special measure status, the commencement of 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.</p>	<p>Assessing impact on Board and Senior Management capacity.</p> <p>Understand the impact on third and fourth tier management in terms of capacity and ability to respond to increased expectations.</p>	<p>Results: Changes to the finance structure at a senior level were implemented during 2020/21 and seem to be working well.</p> <p>Paragraph 40.</p> <p>Resources have been increased to support the Scottish Hospitals Public Inquiry.</p> <p>Paragraph 81.</p> <p>The board's RMP3 that was submitted to Scottish Government outlines actions taken to strengthen management capability and capacity across the board.</p> <p>Conclusion: There is evidence that the board has taken action to strengthen management capability and capacity during the year. However, the challenges highlighted in our audit risk still exist and the structures in place to ensure the board is well equipped to respond to these challenges should be kept under review.</p>

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 £250,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 2](#). We are satisfied that these errors do not have a material impact on the financial statements.

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
1. FHS Expenditure		2,352		
Trade Payables			2,352	
Net impact		2,352	2,352	

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 £2,352k and so the impact on the reported outturn position would be increased savings against the RRL.

Appendix 4. Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

NHS Greater Glasgow and Clyde

2020/21 Annual Audit Report

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