

# NHS Education for Scotland

Financial year ended 31 March 2022

Annual External Audit Report to those charged with Governance  
and the Auditor General for Scotland

Final External Audit Report 30 June 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect NHS Education for Scotland or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive Summary

This table summarises the key findings and other matters arising from the external audit of NHS Education for Scotland ('the Board') and the preparation of the financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Board's financial statements give a true and fair view of the financial position of the Board and its net expenditure for the year;
- The Board's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (FRM), and the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder.
- expenditure and income were in accordance with applicable enactments and guidance (regularity); and,
- 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.

We have completed our audit of your financial statements and have issued an unqualified audit opinion on 30 June 2022, following the Audit Committee meeting on 16 June 2022. Our findings are set out in further detail on pages 7 to 15.

The draft Annual Report and Accounts were available for audit week commencing 9<sup>th</sup> May 2022. We identified one unadjusted misstatement to which Management do not consider material to the financial statements. There were also a number of disclosure and presentational adjustments to the accounts. Details of adjusted and unadjusted misstatements are detailed within [Appendix 1](#). We are satisfied the accounts are free from material misstatement.

We conclude that the Remuneration and Staff Report, subject to audit, has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by Scottish Ministers.

The information given in the Performance Report and the Governance Statement is consistent with the financial statements and has been prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code of Audit Practice requires auditors to consider NHS Education for Scotland's arrangements in respect of the wider dimensions of public audit covering: financial management; financial sustainability; governance and transparency; and, value for money.

In our External Audit Plan for the year ended 31 March 2022 we documented our assessment of wider scope risks and planned audit work. Through our audit procedures we have not identified any further wider scope risks. In accordance with the Code, we outline the work undertaken in response to the risks and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

### **Financial management and sustainability**

Audit Scotland's NHS Overview Report highlighted the severe pressure the health sector in Scotland is under and that the rising spend on the service was unsustainable. Reforming the delivery of health and social care will be key to building a financially sustainable health service. This will be reflected in NES future strategic and financial planning. As the Board shapes its future strategy, focusing on the remobilisation of services as well as supporting the wider reform of the delivery of health and social care in Scotland, it will be through a period where there will be significant pressures on financial resources.

During 2021/22, the Board reported a significant underspend against its revenue resource limits of £1.016 million and breaking even against its capital resource limit for the year. Although the underspend position reflects less than 0.5% of the overall NES Budget, £1.016 million is a significant amount. In addition, the underspend was identified late in the financial year. Earlier warning could have provided the organisation with opportunities to deliver more or ensuring that budget was aligned to strategic priorities. A key challenge for the Board is fully understanding the drivers for the underspend to enable future plans to address them.

Management have established Finance Principles, setting out the roles and responsibilities across the whole of the Board in relation to the financial aspects of business and service delivery. These aim to support a more robust process for forecasting which aims support the organisation to fully deliver against its strategic outcomes and performance. These will be important going forward as the Board looks to develop and implement its new strategic vision and underlying medium term financial plans.

### **Governance and transparency**

Governance arrangements in place at NHS Education for Scotland continued to operate effectively during 2021/22. In October 2021, the NHS Scotland Academy ('the Academy') was formally launched. This is a joint venture aimed at accelerating medical training through a mix of residential, distance and virtual reality learning to build the country's health workforce. While the Academy is in its relative infancy, Management have recognised the need to ensure there is appropriate reporting and monitoring of the Academy's performance.

During 2021/22 governance arrangements over the Academy were established and are embedding into the Board's wider governance structures. There are still important areas for the Board, working with NHS Golden Jubilee, to establish. This includes clear strategic performance measures, to enable effective scrutiny and oversight of the Academy's performance and risk management arrangements over risks facing the partnership. As the organisation looks to establish Strategic Key Performance Indicators (SKPIs) it is important that these are in place to enable continuous monitoring of the performance of the Board and the Academy.

### Value for money

There is a clear focus within NHS Education for Scotland on performance to ensure that resources are used efficiently, effectively and economically. Like other health boards across Scotland, the priority for 2021/22 has been around the delivery of the Board's Re-mobilisation plan. This was a period of operational challenge as the Board looked to deliver essential educational programmes, supervision and leadership, while managing the impact of Covid-19 on service delivery.

The Board recognise the need to enhance performance management arrangements. In setting the future strategy and operating model, the Board is in the process of developing its strategic performance management arrangements. This includes engaging with an external consultancy organisation to provide support in this development. It is important that as the Board sets its strategic direction, contributing to the changing models of health and social care across Scotland, that it has a clear focus on the delivery of its strategic priorities.

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### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

# Introduction

## Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022 at NHS Education for Scotland. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee in February 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of NHS Education for Scotland's annual report and accounts for the financial year ended 31 March 2022;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code') covering: financial management; financial sustainability; governance and transparency and value for money;
- Monitoring the NHS Education for Scotland's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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](http://www.audit-scotland.gov.uk) in due course.

## Responsibilities

NHS Education for Scotland is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Adding value through our audit work

We aim to add value to the Board throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and sustainability, risk and performance. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

# Audit of the annual report and accounts

## Key messages and judgements

We have issued an **unmodified** audit opinion on the annual report and accounts.

We are pleased to report there were no adjustments to the primary financial statements to the financial statements during the audit. There was one unadjusted misstatement to the financial statements in relation to £1 million in respect of sums payable to other Scottish health boards.

We have also raised recommendations for management as a result of our audit work in [Appendix 2](#).

## Our audit opinion

For the financial year ended 31 March 2022 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independence auditor's report:

- the Board's financial statements give a true and fair view of the financial position of the Board and its net expenditure for the year;
- The Board's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (FRM), and the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder;
- expenditure and income were in accordance with applicable enactments and guidance (regularity); and,
- 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 audit process

In accordance with our annual external audit plan our audit work commenced on 9th May 2022. We received the draft primary financial statements in line with our agreed timetable which Management had prepared based on the Scottish government Health and Social Care Directorate template accounts.

We are pleased to report there were no adjustments to the primary financial statements to the financial statements during the audit. There was one unadjusted misstatement to the financial statements in relation to £1 million in respect of sums payable to other Scottish health boards. In accordance with the NHS Manual for Accounts, the Board has agreed balances within £200,000 threshold with other health boards. However, the aggregate difference represents a reportable audit difference. We also identified a number of disclosure adjustments in respect of the draft financial statements. This included a full listing of adjusted and unadjusted misstatements is detailed in [Appendix 1](#).

## Internal control environment

In accordance with ISA requirements we have developed an understanding of the Board's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

## Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee. We updated our audit materiality to reflect your 2021/22 draft financial statements and it is set at £13.204 million, representing 2% of gross expenditure (updated from the plan value: £12.4 million). Performance materiality was set at £9.903 million, representing 75% of our calculated materiality. We report to management any difference identified over £250,000 (Trivial capped at £250,000 by Audit Scotland).

We applied a lower materiality threshold for Directors Remuneration disclosures (Salary) within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £20,000).

## Service auditors report

NHS Education for Scotland utilise a number of shared IT systems, IT applications and processes with other Scottish health boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements. During 2021/22 the service audit reports from KPMG on NSS Primary Care Payments and NSS' National IT contract for services provided by ATOS Origin Alliance supporting eFinancials and the BDO service auditor report over National Single Instance (NSI) eFinancials were all unqualified.

We adopt a fully substantive audit approach and therefore while we consider the findings from the Service auditor reports and the impact on our audit procedures, we do not place direct reliance on their work. From consideration of the reports we are therefore satisfied that these do not impact on our audit work.

## NHS Education for Scotland reported an underspend of £1.015 million against revenue resource limits.

During 2021/22, NHS Education for Scotland reported an underspend of £1.015 million against revenue resources limits and fully utilised capital resource limit for the year. The outturn position predominantly reflected operational underspends across services, including through unfilled and delayed filling of vacancies, project slippages and where internal bids for budget allocations were no longer required.

The Board's 2021/22 budget targeted an underspend of £0.5 million. The budget was set to support the deliver of the Board's third Remobilisation Plan, reflecting the reestablishment and remobilisation of services since Covid-19.

## Covid-19 costs

The Board estimate that the total additional costs incurred as a result of Covid-19 during 2021/22 were £6.4 million, primarily in relation to the additional costs incurred in delivery of services. This has been partly offset through savings of £3.4 million as a result of covid, primarily through savings on travel and accommodation. The net impact of Covid-19 of £3 million has been fully funded in year by the Scottish Government.

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over)/under £'000
Revenue resource limit – core	567,267	566,253	1,014
Revenue resource limit – non-core	1,843	1,842	1
Capital Resource Limit	449	448	1

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## Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

### Risks identified in our Audit Plan

### Commentary

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#### Management override of controls

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override NES internal controls, related to individual transactions.

Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure and income) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management.

- We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2022 and retrospective review of those estimates as at 31 March 2021.
- Journals testing including:
  - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
  - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;
  - We ran specific targeted routines over the journals population to identify higher risk journals, including unusual account combinations or journals posted by senior management; and
  - Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.

#### Conclusion

Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement.

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## Responding to significant financial statement risks (continued)

Risks identified in our Audit Plan	Commentary
<p><b>Risk of fraud in expenditure recognition</b></p> <p>As set out in practice note 10 (revised) which applies to public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition. Recognising the nature of RRL and Scottish Government funding, we have identified a higher risk of fraud and financial misreporting within expenditure. This approach is the same as prior year.</p> <p>Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set. We consider there to be an increased risk of overstatement of expenditure, where Management may be incentivised to overstate expenditure in the current year.</p>	<ul style="list-style-type: none"><li>• Walkthroughs of the controls and procedures over other operating expenditure streams</li><li>• Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording</li><li>• Focused substantive testing of expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off around the completeness of expenditure.</li><li>• Review of accruals and provisions, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.</li></ul> <p><b>Conclusion</b></p> <p>Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or provisions balances at year end. Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the NHS Education for Scotland (regularity testing).</p>

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## Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to NHS Education for Scotland and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the FReM.
- We enquired of management and the Audit and Risk Committee, concerning the Board's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Board's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Board's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 10.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The Board's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Board's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

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## Significant estimates and judgements

The Board's financial statements contain limited areas of material judgement or estimation uncertainty. Within Note 1 (Accounting policies) of the accounts Management reported the following areas of estimates and judgements:

- Dilapidations provision;
- Creditors and other provisions – covering annual leave and flexi leave accruals;
- Accruals and provisions in respect of payments relating to staff on fixed term contracts; and,
- Prepayments and deferred income.

We do not consider these to represent areas of material estimation uncertainty or critical judgement as they do not have a material or significant impact on the accounts nor do they reflect assumptions and other sources of estimation uncertainty where there is a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next year. For items such as annual leave and flexi leave there is limited estimation or material judgement preparing the accounts. We have raised this disclosure adjustment [Appendix 1](#).

### Dilapidation provisions

NHS Education for Scotland recognise a provision of £4.046 million for the estimated future costs of returning leased properties to their original condition as required under the terms of the lease agreements. The provision is based on an independent assessment undertaken by Lothian Built Environment Services. We note that some of the assessments were undertaken in 2014 and we recommend that management obtain an updated assessment to ensure the provision reflects the current cost and condition of the properties.

*Action Plan point - 1*

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## Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
<b>Matters in relation to fraud and irregularity</b>	It is the Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Board's accounting policies, accounting estimates and financial statement disclosures
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Other information</b>	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.  No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.

Issue	Commentary
<b>Opinion on other aspects of the annual report and accounts</b>	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the National Health Service (Scotland) Act 1978 (the Act), and directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required by the Code and are satisfied that these have been properly prepared in accordance with applicable legislation.</p> <p>The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers.</p>
<b>Governance statement</b>	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at NHS Education for Scotland. The Report includes the Statement of the Accountable Officer's responsibilities and those of the members of the Board and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value. Through our audit work over the wider scope audit dimensions: financial management; financial sustainability; governance and transparency; and, value for money , we have considered the arrangements in place at the Board for securing Best Value.</p> <p>The Governance statement is consistent with the financial statements and has been prepared in accordance with relevant legislation and directions made thereunder by the Scottish Ministers.</p>
<b>Matters on which we report by exception</b>	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
<b>Written representations</b>	<p>A letter of representation has been requested from the Board, which is included in the Audit and Risk Assurance Committee papers.</p>

Issue	Commentary
<b>Going concern</b>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Board meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management’s assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified; and</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>
<b>Regularity</b>	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>
<b>National Fraud Initiative</b>	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the health board, received matches for investigation in January 2021. All recommended matches plus any further matches based on findings and the risk of error or fraud should be investigated by 30 September 2021 and the results recorded on the NFI system.</p> <p>As part of our audit work in the current year we considered the progress made by NHS Education for Scotland in investigating matches. The Board has made good progress in investigating matches. The Board have demonstrated commitment to NFI including timely submission of data and investigation of Management. Appropriate personnel are involved in the process and oversight from the Audit and Risk Committee.</p>

# Wider scope audit

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work on the wider scope audit dimensions: financial management; financial sustainability; governance and transparency and value for money. We take a risk based audit approach, utilising our cumulative audit knowledge of the organisation and understanding of its risks and priorities. Within our annual audit plan we identified significant wider scope risks in relation Financial Management, Financial Sustainability, and Governance and Transparency. As part of our audit work we have not identified any further wider scope audit risks.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<p><b>Financial Management</b></p> <p>Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively</p>	<p>No significant wider scope risks identified</p>	<p>We did not identify any concerns around the financial capacity or capability with NHS Education for Scotland. The Board has an established Finance Team and during the year secured the recruitment of a permanent Director of Finance.</p> <p>We have assessed the Board’s financial performance in year (page 9). During 2021/22, the Board reported an underspend of £1.016 million against revenue resources limits and fully utilised capital resource limit for the year. The outturn position predominantly reflected operational underspends across services, including through unfilled and delayed filling of vacancies, project slippages and where internal bids for budget allocations were no longer required.</p> <p>Throughout 2021/22 there was volatility in the Board’s financial projections. In particular, the magnitude of the underspend was not identified until December 2021. This has been a recurring challenge for the Board in recent years as a result of the large number of internal and external drivers and influences that affect financial performance. In addition, the impact of the covid-19 pandemic heightened the level of uncertainty and volatility in financial performance.</p>	<p>Although the underspend position reflects less than 0.5% of the overall NES Budget, £1.016 million is a significant amount. In addition, the underspend was identified late in the financial year. Management took actions to reduce the underspend to the final outturn level, including agreeing and the swing from Period 9 highlights the need for urgent action to address this position on 2022/23.</p> <p>Earlier warning of the underspend could have provided the organisation with opportunities to deliver more or ensuring that budget was aligned to strategic priorities. A key challenge for the Board is fully understanding the drivers for the underspend. These include covid-19 related issues, internal financial management practice or culture to avoid overspends, or through the impact of a general reduction in the demand that the wider NHS Scotland sector has for the Board.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<b>Financial Management continued...</b>	Continued....	<p>Continued</p> <p>During the year, as the Board’s underlying projections began to indicate an underspend against financial plans, Management sought to address the issues through identifying opportunities to utilise the funds or, where resource funding had been received for an initiative but was not utilised, returning the resource allocation to the Scottish Government. However, Management recognise that this reactionary approach does not deliver the most effective use of resources or ensure budget is allocated to greatest strategic need.</p>	<p>Continued...</p> <p>Management have established Finance Principles, setting out the roles and responsibilities across the whole of the Board in relation to the financial aspects of business and service delivery. The Finance Team plan to work through the Extended Executive Team and the Senior Operational Leadership Group to build a more robust process for forecasting which aims support the organisation to fully deliver against its strategic outcomes and performance.</p> <p>The new finance principles should take effect for 2022/23. However, it is too early for us to conclude on the effectiveness of these arrangements. We recommend that Management look to revisit the effectiveness of the revised financial planning and management arrangements throughout 2022/23.</p>

*Action plan point - 2*

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<p><b>Financial sustainability</b></p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>The Board's expenditure has significantly increased in recent years, rising from £499 million in 2019 to £619 million in 2021, reflecting the additional costs associated with Covid-19, as well as the increased investment in trainee and development programmes. The Board's expenditure is predominantly funded through Scottish Government funding and the Board have met financial performance targets. However, as the Board revisits its strategy to reflect NHS Scotland's response to the National Care Services consultation as well as the Board's role in working with health and social care partners embracing digital ways of working, it is important that the Board's financial strategy is aligned to the delivery of this strategy.</p>	<p><b>Response to significant risk:</b></p> <p>Audit Scotland's NHS Overview Report highlighted the severe pressure the health sector in Scotland is under and that the rising spend on the service was unsustainable. Reforming the delivery of health and social care will be key to building a financially sustainable health service. This is being reflected in NES future strategic and financial planning.</p> <p>As a result of Covid-19 and focus on the response and recovery from the attack, the Scottish Government only requires Boards to produce a single year financial plan for 2022/23. In accordance with Scottish Government guidance, the Board is expected to move towards medium term financial planning with a Recovery Plan for the period 2022-25. These are required to be finalised by July 2022.</p> <p>For 2022/23, NES have projected financial gap of £4.656 million against resources available. This is through increases in underlying pressures on services including Covid-19 remobilisation as well demand on services. To address the budget gap the Board has identified £2.3 million of savings. Further actions are in place to address the remaining gap of £2.346 million. NES' financial plan contains areas of risk and uncertainty.</p>	<p>The NES Strategy 2019-2024 has been significantly impacted by Covid-19, including disruption to training and education and a transformation in how the organisation delivers its services. Similarly, financial planning has been curtailed as the board, like others across Scotland, focus on single year recovery and remobilisation plans. For 2022/23, the initial financial plan has again been set based on a single year plan.</p> <p>NES are in the process of developing a new Strategic Vision. This will be guided by Scottish Government Policy including the future of the delivery of health and social care across Scotland and supporting the wider NHS Scotland Remobilisation Plans. Underpinning this strategy will be the Board's financial plans. The Board are due to submit a medium term financial plan to Scottish Government in July 2022. However, this has yet to be developed and we are therefore unable to conclude on the medium to longer term financial outlook.</p> <p>It will be important that the Board's medium term financial plan looks to build on the Financial Principles agreed in March, particularly around budget ownership and accountability to ensure it not only aligns to the delivery of the new strategy but also suitably reflects planned operational activity in the coming years.</p>

*Action plan point - 2*

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<p><b>Governance and transparency</b></p> <p>Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board is working in collaboration with NHS Golden Jubilee to deliver the NHS Scotland Academy, a joint venture aimed at accelerating medical training through a mix of residential, distance and virtual reality learning to build the country's health workforce. The Scottish Government plans to invest approximately £9 million over the next three years in both revenue and capital finance on the facility. The partnership is an important arrangement in supporting the NHS across Scotland through accelerated training programmes that are designed to support the training and development needs of the NHS workforce. It is important that in collaborative working arrangements there are clear lines of responsibility and accountability, including oversight and governance arrangements in place at the Board over the arrangement.</p>	<p><b>Governance arrangements</b></p> <p>We considered the arrangements established by the Board, including the processes in place to monitor the effectiveness, including delivery of outcomes of the partnership arrangement.</p> <p>The NHS Scotland Academy ('the Academy') was formally launched on 20 October 2021. There is evidence of collaborative working, particularly at the Senior Management level between the Board and NHS Golden Jubilee in the promotion of the Academy. The NHS Scotland Academy Joint Strategic Programme Board was established co-chaired by the Board and NHS Golden Jubilee board chairs. The work of the Programme Board is overseen by the NHS Education for Scotland Board (and also the NHS Golden Jubilee Board). Within the Board there is oversight from the NES Education &amp; Quality Committee. At the Executive level the NHS Academy Executive Programme Group oversees the strategic delivery, informed by the NES and Golden Jubilee Academy steering groups.</p> <p>Operationally the Academy will be funded through Scottish Government recurring funding. Although there is a core Academy Team, the Board will employ employee educational and digital related roles and the Golden Jubilee employs all Corporate and logistic roles.</p>	<p>While the Academy is in its relative infancy, Management have recognised the need to ensure there is appropriate reporting and monitoring of the Academy's performance. During 2021/22 governance arrangements have been established are embedding into the Board's wider governance structures.</p> <p>There are still important areas for the Board, working with NHS Golden Jubilee to establish. This includes clear strategic performance measures, to enable effective scrutiny and oversight of the Academy's performance and risk management arrangements over risks facing the partnership. As the organisation looks to establish Strategic Key Performance Indicators (SKPIs) it is important that these are in place to enable continuous monitoring of the performance of the Board and the Academy.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<b>Governance and transparency continued...</b>	Continued...	<p data-bbox="898 197 1167 226"><b>Senior Management</b></p> <p data-bbox="898 253 1659 668">The Board’s senior management team has experienced significant change over the last 12 months. This has included the permanent appointment of the Director of Finance in February 2022 and, following the retirement of the former Director of Medicine, the appointment of his successor on 1 April 2022. In the context of the challenges facing the wider health and social care sector within Scotland, and the role the Board plays in supporting workforce development, training and education, the senior management team play a critical role in setting and delivering the Board’s strategic objectives.</p>	

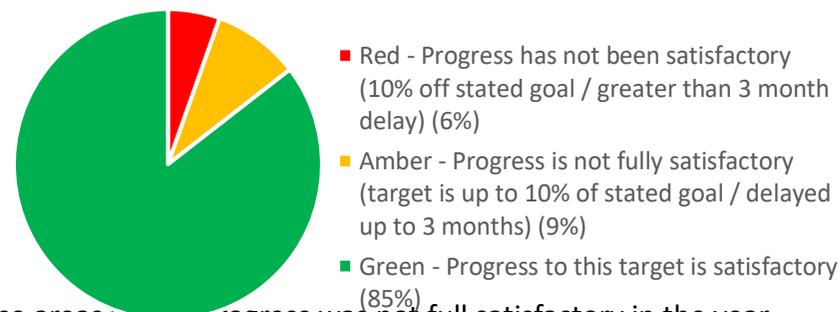
Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
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**Value for money**  
Value for money is concerned with using resources effectively and continually improving services.

No significant wider scope risks have been identified

From review of minutes and committee papers, there is focus on performance and effective use of resources. For 2021/22, the Board's performance targets were set within the Phase 3 and 4 Re-Mobilisation Plan (RMP 3/4). RMP 3 includes 578 operational performance targets in total, with 55 designated as being priority targets. Reporting against these targets included all priority red and amber targets and all other red targets.

While the Board's Performance Report highlights the achievements in the year including delivery of essential educational programmes, supervision and leadership, the Board did not achieve over 10% of 'priority' performance targets in the year. As at 31 March 2022, the Board reported 49 targets as red, including 3 of the priority targets. In addition, there were 69 amber, including 5 priority targets. Red and amber being where satisfactory progress had not been made against the target / outcome. In addition to the above, the Board report progress against the five strategic themes outlined within the Board's strategy 'NES Strategy 2019-24'.



For those areas where progress was not full satisfactory in the year, Management have highlighted a range of factors including the impact of Covid-19 on delivery, recruitment challenges as well as funding challenges. While the reports provide an overview of performance, and action taken, there isn't a clear link between the operational performance targets and wider strategic objectives.

There is a clear focus within NHS Education for Scotland on performance, to ensure that resources are used efficiently, effectively and economically. Like other health boards across Scotland, the priority for 2021/22 has been around the delivery of the Board's Re-mobilisation plan, now in its third phase. This was a period of operational challenge as the Board looked to deliver essential educational programmes, supervision and leadership, while managing the impact of Covid-19 on service delivery.

Over 10% of the Board's priority measures were not fully delivered in the year. However, it is difficult to determine a holistic view of the performance of the Board as performance measures are not clearly aligned to the Board's strategy.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
<b>Value for money continued...</b>	Continued...	<p><b>Implementing improvements in strategic performance monitoring</b></p> <p>In our prior year audit findings report, we highlighted the importance of ensuring that the board focus on key strategic priorities and the achievement of these throughout the year with there being insufficient clarity around how the targets within the performance reports relate to the strategic themes and if multiple targets sitting as red or amber impact one key theme which then requires additional focus to rectify. Additionally, reporting against a large number of operational targets makes it difficult for the Board to assess performance against strategic priorities.</p> <p>Management have recognised the need to enhance corporate performance reporting and as the Board looks to review its strategic vision and operating model for 2022/23 and beyond, has began working towards enhancing performance monitoring arrangements. The Board has engaged Rubica, an external consultancy partner, to provide support, including training and familiarisation with performance measurement methodology. This aims to develop clear strategic key performance indicators that are measurable and demonstrate continuous improvement and strategic progression.</p>	<p>The Board recognise the need to enhance performance management arrangements. In setting the future strategy and operating model, the Board is in the process of developing its strategic performance management arrangements. This includes engaging with Rubica, an external consultancy organisation, to provide support in this development. It is important that as the Board sets its strategic direction, contributing to the changing models of health and social care across Scotland, that it has a clear focus on the delivery of its strategic priorities.</p>

***Action Plan Follow up point - 2***

**Equality**

In accordance with Audit Scotland Planning Guidance, as part of our audit work in 2021/22 we consider the Board’s arrangements for equality and fairness. We did not identify any significant wider scope audit risks in this area. Utilising Audit Scotland’s Best Value guidance we considered the arrangements at the Board. Fairness and equality is clear area of focus for the Board. The Board has a range of policies, procedures and guidance in place to promote equality, diversity, health and well-being in the workplace. All board and committee papers are subject to Equality Impact Assessment as are key strategies and papers, which includes consideration of those groups most significantly impacted by covid-19. The Board’s Equality Outcomes and Mainstreaming Report (2021-25) highlights the progress made by the Board in incorporating equality and diversity into the delivery of services and shaping the Boards’ strategy. The Board also reports on how it implement the Fairer Scotland Duty to address socio-economic inequalities and how they meet their duties as a Corporate Parent in our Equality Outcomes and Mainstreaming Report.

# Appendices

# 1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Adjusted misstatements arising during the audit

There were no adjusted misstatements to the primary financial statements greater than trivial threshold during the 2021/22 audit.

## Unadjusted misstatements

We identified one audit misstatement during our audit. Management have not adjusted for the misstatement on the basis of it not being material to the financial statements.

Detail	Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being the difference between the Board's reported payables and balances confirmed as due from other NHS Scotland Boards. We note that this is a historical issue and that the year-end balances change each year in response to each year's activity. Individual balances with other Boards have been agreed with the NHS Scotland Manual for Accounts thresholds.		1,014
Dr NHS Scotland payables	(1,014)	
Cr Expenditure		
<b>Overall impact</b>	<b>(1,014)</b>	<b>1,014</b>

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Critical judgements	<p>International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.</p> <p>We do not consider these to represent areas of material estimation uncertainty or critical judgement as they do not have a material or significant impact on the accounts nor do they reflect assumptions and other sources of estimation uncertainty where there is a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next year. For items such as annual leave and flexi leave there is limited estimation or material judgement preparing the accounts.</p>	No - Management's presentation is consistent with the NHS Scotland Template accounts. Audit are satisfied that this is not material disclosure misstatement to the financial statements.
IFRS 15 – Revenue recognition	<p>While the majority of NHS Education for Scotland's expenditure is funded through Scottish Government Funding through resource limits and treated in accordance with the FReM as funding rather than income, the organisation does receive income for services provided. This includes recharges to other boards and charges for services to commercial organisations. This income would fall within the scope of IFRS 15. The Board's accounting policies should be enhanced to meet the disclosure requirements of IFRS 15 including the income recognition criteria and performance conditions associated with material revenue streams.</p>	No - Management have prepared the accounts in line with the NHS Manual and template accounts. These recommendations will be considered for future years accounts. Audit are satisfied that these are not material to the financial statements.
Lease disclosures	<p>The operating lease commitments disclosure note in the draft accounts were incorrectly prepared under IFRS 16. IFRS 16 has not yet been adopted by the Board and therefore the lease disclosure should be prepared in accordance with IAS 17. The disclosure required updating to show commitments in accordance with IAS 17.</p>	Yes

Disclosure	Auditor recommendations	Adjusted?
Related parties	In accordance with the FReM, all Scottish public sector bodies, including health boards would be considered related parties on the basis that they are under common control of the Scottish Government. In accordance with the FReM, the accounts required updating to record details of the individual bodies where material transactions had taken place during the financial year.	Yes
Financial instruments and segmental reporting	The Board has followed NHS Scotland template accounts and the NHS Scotland Manual for Accounts to support in the preparation of the Annual Accounts. However, there are opportunities to enhance the disclosures in the accounts to meet the requirements of the FReM and IFRS. In particular, under IAS 8, operating segments should report the level of information as communicated to Management. This should include income at service level, gross expenditure as well as the net cost of services. Currently only net cost of services is reported. In addition, financial instrument disclosures could be enhanced to provide more qualitative and quantitative information around the risks and sensitivities around risks from financial instruments.	No - Management have prepared the accounts in line with the NHS Manual and template accounts. These recommendations will be considered for future years accounts. Audit are satisfied that these are not material to the financial statements.
Remuneration and staff reports	Financial information in relation to pension disclosures contained within the Remuneration report required updating within the final draft accounts.	Yes

There were other minor presentational adjustments that were communicated to the management throughout the course of the audit.

## 2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2021/22, the significant recommendations arising from our audit work:

Recommendation	Agreed officer response
<p data-bbox="100 427 427 458"><b>1. Provisions calculations</b></p> <p data-bbox="100 475 1357 699">NHS Education for Scotland recognise a provision of £4.046 million for the estimated future costs of returning leased properties to their original condition as required under the terms of the lease agreements. The provision is based on an independent assessment undertaken by Lothian Built Environment Services. We note that some of the assessments were undertaken in 2014 and we recommend that management obtain an updated assessment to ensure the provision reflects the current cost and condition of the properties.</p>	<p data-bbox="1382 427 1926 458">Responsible Manager: Director of Finance</p> <p data-bbox="1382 475 1872 507">Implementation Date: 31 March 2023</p>
<p data-bbox="100 807 557 837"><b>2. Financial planning arrangements</b></p> <p data-bbox="100 855 1357 970">The Board are due to submit a medium term financial plan to Scottish Government in July 2022. However, this has yet to be developed and we are therefore unable to conclude on the medium to longer term financial outlook.</p> <p data-bbox="100 994 1357 1142">The board should ensure that the medium term financial plan looks to build on the Financial Principles agreed in March, particularly around budget ownership and accountability to ensure it not only aligns to the delivery of the Board's new strategy but also suitably reflects planned operational activity in the coming years.</p>	<p data-bbox="1382 807 1926 837">Responsible Manager: Director of Finance</p> <p data-bbox="1382 855 1839 887">Implementation Date: 31 July 2022</p>

# 3. Follow up of 2020/21 recommendations

We have set out below our follow up of recommendations raised in the prior year:

## Recommendation

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### 1. Prepayments & FTC Accrual year-end review

#### Original Recommendation:

Through our review of prepayments at year-end, we noted a number where the service related to 2021/22 but no payment had been made for these service, meaning they were not a true prepayment. This was due to invoices being received for the service prior to the 31<sup>st</sup> of March 2021 or accruals being made incorrectly for these items at year-end. This resulted in an overinflation of the balance sheet for prepayments as well as trade payables and accruals. In addition, the initial calculation of prepayments by management had some prepayments calculated incorrectly, with some prepayments omitted. In addition, errors were noted in the initial calculation of the FTC accrual and in the revised version of this calculation too. Management should consider each employee on an individual basis for likelihood of redundancy payments and provide for those who do not yet meet the conditions.

We recommend that management review their approach to prepayments and the FTC accrual at year-end and ensure a review is performed and checked internally prior to inclusion in the accounts.

**Management response:** Prepayments: The accruals were system generated and although we correctly identified that they should not hit the operating costs, the contra entry should not have gone to pre-payments. We will put a process in place to ensure that the correct balance sheet codes are used in future periods and differentiate between invoices and system generated accruals.

FTC Accrual: In order to calculate the movement on the overall accrual value data available on our systems as at April was used as the base. The testing carried out by audit highlighted that this information can quickly become out of date which has resulted in the late changes to the accounts from the draft version used at the Annual Accounts workshop. We also acknowledge that we need to consider the split between accrual and provision for future years. We will ensure that the population of staff who fall into the FTC category are reviewed regularly by both finance and HR colleagues to ensure that they are accounted for appropriately.

Follow up: [Recommendation closed](#). Our testing found that Management have implemented the actions agreed in response to our recommendations in the prior year. Our testing around year end expenditure and prepayments, did not identify any issues around year end allocations. The FTC accrual and provisions was not material in 2021/22. We are satisfied that management have correctly determined the basis of the provision but do not consider this to represent a significant estimate in the accounts.

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## Recommendation

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### 2. Performance targets

There are 601 performance targets in total, with 111 designated as being priority targets. The reporting against these targets included all priority red and amber targets and all other red targets. This resulted in 50 targets being reported to the Board in total in February 2021.

The Board should be focusing on achieving key strategic priorities and the achievement of these throughout the year. Whilst this is done through the annual report against the Board's strategy, it is not clear how the targets within the performance reporting relate to the strategic themes and if multiple targets sitting as red or amber impact one key theme which then requires additional focus to rectify. Additionally, reporting against a large number of operational targets makes it difficult for the Board to assess performance against strategic priorities.

There is an opportunity to enhance the performance reporting to the Board to focus on strategic priorities by developing a suite of Key Performance Indicators that target key achievements. Whilst operational targets should remain, there is an opportunity to refresh these as we emerge from the Covid-19 pandemic and consider if any have been fundamentally impacted meaning they are no longer relevant or have been superseded.

**Initial Management Response:** Accepted. NES has recognised for some time that we need to develop strategic KPIs and this work is already underway and during 2021/22 we shall plan how to evolve our performance reporting for implementation in 2022/23.

**2021/22 updated:** **Ongoing** – Management have recognised the need to enhance performance information and is in the process of strengthening performance information through applying a balanced scorecard approach which is aimed at demonstrating the impact, outcome and results of NHS Education for Scotland's work.

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# 4. Audit fees and independence

## External Audit Fee

Service	Fees £
External Auditor Remuneration	53,170
Pooled Costs	5,960
Contribution to Audit Scotland costs	2,620
Contribution to Performance Audit and Best Value	Nil
<b>2021/22 Fee</b>	<b>61,750</b>

## Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact John Boyd, Audit Director, who has responsibility for the audit ([john.p.boyd@uk.gt.com](mailto:john.p.boyd@uk.gt.com)) or Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work ([joanne.e.brown@uk.gt.com](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2021)

- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# 5. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Board's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

