



National Waiting Times Centre Board

2021/22 Annual Audit Report to the Board and the Auditor General for Scotland

June 2022



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Key messages

This report concludes our audit of the National Waiting Times Centre Board for 2021/22.

This section summarises the key findings and conclusions from our audit.

Financial statements audit

<p>Audit opinion</p>	<p>Our independent auditor’s report includes:</p> <ul style="list-style-type: none"> • An unqualified opinion on the financial statements; • An unqualified opinion on regularity; and • An unqualified opinion on other prescribed matters.
<p>Key findings on audit risks and other matters</p>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are in line with the NHS Accounts Manual and are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Board had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.</p>
<p>Audit adjustments</p>	<p>Adjustments made to the financial statements are noted at Appendix 2 and reflect changes made by the Board subsequent to the initial draft received by audit. The overall impact on the financial statements was a reduction in reserves of £648,000.</p> <p>We also identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.</p>
<p>Accounting systems and internal controls</p>	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Board’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit



Financial Sustainability

Auditor judgement



The Board will continue to face challenges, over the next three years, in achieving a balanced financial position in view of the planned service developments combined with the Board's contribution to the ongoing NHS Scotland health recovery agenda. The Board's ability to develop and maintain its core services and new initiatives in a sustainable manner remains at risk and requires continuing careful management and oversight.



Financial Management

Auditor judgement



All three key financial targets for the year were met.

The Board has effective arrangements in place for financial management and the use of resources.



Governance & Transparency

Auditor judgement



Governance arrangements at the Board were found to be satisfactory and appropriate.

The Board will see a period of change and loss of experience in executive members over the coming months. Arrangements have been put in place to ensure the risk to the organisation is minimised.



Value for Money

Auditor judgement



The Board has appropriate performance management processes in place that support the achievement of value for money.

The Board has demonstrated its support to the Scottish Government's NHS Scotland Recovery Plan.

Definition

Our wider scope audit involves consideration of the Board's arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence



Scope

1. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit. The core elements of our work include:
 - an audit of the 2021/22 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring the Board’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

2. The Board is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses 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.
3. 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.
4. We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

5. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence.

Openness and transparency

10. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Adding value through the audit

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

Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Financial statements audit

The Board's annual report and accounts are a principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Overall conclusion

11. The annual report and accounts were considered by the Audit and Risk Committee on 16 June 2022 and approved by the Board on 30 June

2022. Our independent auditor's report is unqualified.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Board's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Board.</p>	<p>We reviewed the financial forecasts for 2022/23. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>
Regularity	We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.</p>

Opinion	Basis for opinion	Conclusions
<p>Matters prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • Remuneration and Staff Report • Performance Report • Governance Statement 	<p>We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with directions from Scottish Ministers.</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the audited part of the remuneration and staff report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers. • the information given in the performance report has been prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements. • the information given in the Governance Statement has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers and is consistent with the financial statements.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> 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; or there has been a failure to achieve a prescribed financial objective. 	We have no matters to report.

An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in March 2022. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
- At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we 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.

16. The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual

report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Significant risk areas

1. Management override

Significant risk description

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.

Audit procedures

- Review of the Board's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risk areas

2. Revenue recognition

Significant risk description

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Board could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.
- Review of deferred income around the year end to consider if there is any indication of misstatement of balances held through consideration of accounting estimates.

Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for the Board's revenue resource allocation from Scottish Government. Our conclusion remained the same throughout the audit.

Based on audit work performed, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

Significant risk areas

3. Expenditure recognition

Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of the Board's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Significant risk areas

4. Asset valuations (significant accounting estimate)

Significant risk description

The Board, in accordance with its accounting policies, obtains an external valuation of all land and building assets on an annual basis. The valuations are carried out in accordance with the RICS Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

In 2020/21, the valuation report, issued by an external valuer, provided assurance that, *“whilst the pandemic continues to affect economies and global markets, property markets have started to function again and, as a result, the valuation as at 31 March 2021 is not subject to a material valuation uncertainty; with the exception of the Hotels sector.”* The valuation of the Golden Jubilee Conference Hotel which comprises part of the Board’s asset portfolio was therefore reported as being subject to ‘material valuation uncertainty’. We included an emphasis of matter paragraph in our independent auditor’s report on the 2020/21 financial statements to draw attention to this.

There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the Board’s asset base represents an increased risk of misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Boards are required to revalue properties with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. The Board, in accordance with its accounting policies, obtains an external valuation of land and buildings on an annual basis.

Audit procedures

- Consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence.
- Review the valuation report and consider the assumptions used by the external valuer against external sources of evidence.
- Consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Key observations

We have gained assurance that the carrying value of the Board’s estate in the financial statements is in line with the valuer’s report received from the external valuers (Avison Young). In accordance

Significant risk areas

with ISA (UK) 500 “Audit Evidence” we have considered the competence, capability and objectivity of the professional valuer and did not identify any items which gave us cause for concern over the suitability of the valuer. We confirmed that the basis of valuation for assets is appropriate based on their usage and reviewed the reasonableness of valuation assumptions applied. Overall, the valuation movements were in line with our expectation.

In the current year, no material valuation uncertainty disclosure was made by the external valuer.

5. Provisions (significant accounting estimate)

Significant risk description

The Board in its financial statements includes provisions for legal obligations in respect of clinical and medical obligations and participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme).

There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.

Audit procedures

- Review of management’s estimation for the provision and related disclosures
- Consideration of compliance with the requirements for the FReM and NHS Manual for Accounts.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Key observations

We are satisfied that the amount recognised as a provision appropriately reflects the amounts notified by the Central Legal Office (CLO). We have reviewed management’s estimation for the provision and related disclosures, and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence under ISA

Significant risk areas

(UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information. Their review did not identify any issues in the methodology used by Scottish Government. However, the review noted that the national obligation was overstated by £8.696million due to manual error, with the Board’s share revised downward by £95,000 (Appendix 2). Scottish Government adjusted the funding accordingly and the Board has appropriately reflected this in the financial statements.

Other risk factors

Other impacts of COVID-19 on the annual accounts

- COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material

misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
Attendance at stock counts	As part of our audit procedures, we attend stock counts where inventory is material, unless impractical, to provide audit evidence relating to existence and condition. Should the pandemic impact on our ability to attend stock counts we seek to perform alternative audit procedures. In the event that such procedures are not possible we consider a limitation of scope in our audit opinion.	We attended stock counts during our 2021/22 audit.

Area considered	Description	Conclusion
<p>Access to audit evidence</p>	<p>Our audit this year has, in the main, been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.</p>	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with Board finance colleagues right up until the point of accounts signing, to ensure all relevant issues were satisfactorily addressed.</p>
<p>Timescales / administrative processes</p>	<p>In Scotland, the administrative deadline for the submission of audited accounts of health boards and agencies is usually 30 June but this has been extended by two months to 31 August . The legislative deadline for laying accounts in the Scottish Parliament however remains at 31 December.</p>	<p>The Board decided to continue with the original timescales (i.e. 30 June).</p> <p>We worked closely with management throughout the audit to put us in the best position to adhere to this timetable.</p>

Estimates and judgements

- 18. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
- 19. As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts,

and accruals. Other than asset valuations and provisions for legal obligations, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

- 20. Our audit work consisted of reviewing these keys areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorising each area as either Prudent, Balanced or Optimistic.

Estimates and judgements

Asset valuations

Balanced

Asset valuations are carried out by external valuers on an annual basis.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

Provisions

Balanced

Significant estimates were made in relation to the valuation of liabilities related to the Board's membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These estimates were informed by advice from qualified, independent experts.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

Materiality

21. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
22. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Board and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.
23. Our initial assessment of materiality for the group and board financial statements was £1.6million. On receipt of the unaudited annual accounts, we reassessed materiality and kept it at the same level as our initial assessment. We consider that our assessment has remained appropriate throughout our audit.

Materiality

Overall materiality

£1.6million



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£1.2million



75%

Work performed to capture individual errors at this level

Trivial threshold

£80,000



5%

All errors greater than this level are reported

Materiality

Our assessment is made with reference to the Board's Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for the Board and one of the principal considerations for the users of the financial statements when assessing financial performance.

Our assessment of materiality equates to approximately 1.5% of the Board's RRL as disclosed in the unaudited annual accounts.

We have set materiality for both the Group and the Board at the same levels given our assessment and approach to the group audit. We have concluded that the Endowment Fund is not significant to the overall group.

We apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.

Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
Trivial misstatements	<p>Clearly trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Group audit

24. The Board prepares its annual report and accounts on a group basis. The group consists of the Board and the Endowment Fund (The National Waiting Times Centre Board Endowment Fund (also known as the Golden Jubilee National Hospital (Scotland) Endowment Fund)).

25. As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group.

Component	Significant	Level of response required
National Waiting Times Centre Board	Yes	Comprehensive
Golden Jubilee Foundation (Registered as National Waiting Times Centre Board Endowment Fund)	No	Analytical

Comprehensive The component is of such significance to the group as a whole that an audit of the component financial statements is required for group reporting purposes.

Analytical The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

26. The Endowment Fund is fully consolidated. We did not consider the Endowment Fund to be of individual financial significance to the group or to include a significant risk of material misstatement to the group financial statements.
27. As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed those entries back to the financial statements.
28. Azets is also the appointed auditor to the Endowment Fund. During our audit we liaised with the Endowment Fund audit team to confirm that their programme of work is adequate for our purposes.
29. We have nothing to report in respect of the following matters:
 - No significant deficiencies in the system of internal control or instances of fraud were identified by the Endowment Fund auditor; and
 - There were no limitations on the group audit.

Audit differences

30. Adjustments made to the financial statements are noted at Appendix 2 and reflect changes made by the Board subsequent to the initial draft received by audit.
31. We also identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

32. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the board to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Service auditor reports

33. The Board 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.

Shared service	Service assurance
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from KPMG. In May 2022 KPMG reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish Health Boards.</p>	<p>NHS Ayrshire and Arran procure a service auditor report from BDO. The service auditor highlighted no critical or significant risk findings and reported an unqualified opinion.</p>

Follow up of prior year recommendations

34. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

36. The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate.

37. There are no significant financial statements disclosures that we consider should be brought to your attention other than the material uncertainty disclosure on property valuations noted above. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Other communications

Accounting policies, presentation and disclosures

35. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.

38. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

39. We have previously discussed the risk of fraud with management. We have

not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing

40. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

41. As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

Written representations

42. We presented a letter of representation to the Board to sign at the same time as the financial statements were approved.

Related parties

43. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

44. All requested third party confirmations in respect of bank and legal confirmations have been received.

Financial sustainability

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



Auditor judgement



The Board will continue to face challenges, over the next three years, in achieving a balanced financial position in view of the planned service developments combined with the Board's contribution to the ongoing NHS Scotland health recovery agenda. The Board's ability to develop and maintain its core services and new initiatives in a sustainable manner remains at risk and requires continuing careful management and oversight.

Significant audit risk

45. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

Prior to the Covid-19 pandemic, the Board prepared annual operational plans. However, due to the impact of the pandemic, the Scottish Government paused the annual operating and financial planning processes. The 2021/22 Annual Operational Plan was replaced by a Remobilisation Plan (RMP). The RMP builds on the Board's Recovery Plans which were submitted to Scottish Government throughout 2020/21. The financial component of the RMP is a one-year financial plan with the aim of supporting the wider NHS Scotland health recovery agenda. The financial plan assumes full funding for remobilisation costs in addition to recurring core base line funding and funding to support the Board's expansion programmes.

Future operational plans will cover a three-year period. This will enable a more strategic approach to planning and support programmes of service transformation, aligned with the NHS Recovery Plan and the Care and Wellbeing Portfolio. The Scottish Government has intimated that these three-year plans will take the form of a Recovery Plan for the period 2022-25. They will encompass a relatively high-level narrative setting out key priorities for recovery and transformation within this period, and how these contribute to national priorities, underpinned by an Annual Delivery Plan (ADP).

In recognition of the pressures that Boards are currently working under, and the high level of uncertainty and volatility that remains in the system, these three-year plans are scheduled for submission at the end of July 2022. Financial planning will also cover a three-year cycle. Scottish Government will use the quarter one review in 2022-23 as an opportunity for Boards to refresh their financial plans to align with the three-year operational plans.

The Board will continue to face challenges, over this three-year period, in achieving a balanced financial position in view of the planned service developments combined with the Board's contribution to the ongoing NHS Scotland health recovery agenda. The Board's ability to develop and maintain services in a sustainable manner remains at risk and requires continuing careful management and oversight.

Noted in the 2021/22 External Audit Plan

46. Our detailed findings on the Board's financial framework for achieving long term financial sustainability are set out below.

Future financial plans

47. The Board has prepared its financial plan for 2022/23 and continues to develop its financial forecasts for 2023/24 and 2024/25 in accordance with guidance and deadlines issued by the Scottish Government.
48. The guidance issued by the Scottish Government required NHS Boards to set out financial plans for 2022/23 ahead of the financial year. Forecasts for 2023/24 and 2024/25 are due to be submitted as part of the 3-year integrated plans by 31 July 2022.
49. For 2022/23 it is recognised that the NHS remains in a fluid position, however there is a focused aim to transition from the non-recurring Covid-19 NHS management plan to a recurring recovery and business as usual strategy.
50. The Board's financial plans consider the broader medium term strategic priorities for the following two years, covering 2023/24 and 2024/25 and its continued contribution to delivering high quality care through collaboration.

Financial plan 2022/23

51. The Board's financial plan for 2022/23 shows a forecast funding gap of £4.510million.

	2022/23
	£million
Total RRL funding (core and non-core)	118.734
Other income including regional and national income	73.626
Total	192.360
Baseline expenditure	196.870
Funding gap	4.510

Source: NHS Golden Jubilee Three-Year Financial Plan 2022/23 to 2024/25

52. The main drivers for the financial gap and resulting efficiency savings target required to support a break-even position include:
 - Carry forward savings £1.3million
 - Scottish Public Sector Pay Policy (SPSPP) gap £0.6million
 - Supplies inflation £0.5million
 - Drugs inflation £0.4million
 - Band 2 to 3 Grading Review £0.3million
 - Energy costs £0.9million
 - Developments £0.5million
53. The Board notes in its financial plan that the overall gap remains within a tolerance experienced in recent years, and whilst the recurring / non-recurring element will require some work, this is of a value which has been mitigated in recent years.

54. It is also recognised that there are some uncertainties around evolving cost pressures and funding uplifts not yet agreed that may affect the funding gap. These include further price increases of between 35%-50% for energy, the agreement of the 2022/23 SLA inflation uplift, the final outcome from the Scottish Public Sector Pay Policy uplift, further price increases passed on from supplies on the back of both the pandemic and the implications across Europe associated with the war in Ukraine.
55. The three-year financial plan provides indicative funding gaps (efficiency savings required) for 2023/24 (£4.306million) and 2024/25 (£3.976million). The financial plan will be integral to the completion of the Annual Delivery Plan due in July 2022 and the 2022/23 RMP activity plan as presented to the Board in March 2022.

Golden Jubilee Conference Hotel

56. The Golden Jubilee Conference Hotel (GJCH) closed on 20 March 2020 before partially reopening for NHS and healthcare clients on 23 May 2021, with the Hotel fully opening on 1 July 2021. The Hotel continued to face financial challenges throughout 2021/22 and does not predict financial performance returning to pre-pandemic levels until 2023/24.
57. A shortfall of £1.5million is forecast for GJCH into 2022/23. This risk is a key focus in financial discussions with the Scottish Government given the financial implications for the Board and the fact that this income pressure has arisen as a direct result of Scottish Government guidance around the hospitality sector during Covid-19.
58. The GJCH financial performance position assumes some crucial

changes in terms of charging rates for patient rooms, on-call rooms and internal board funding support that requires further review before finalising and completion of the July 2022 3-year integrated plans submission.

Three-Year Workforce Plan

59. A three-year workforce plan has been requested by the Scottish Government, to cover the period 2022/23 to 2024/25.
60. Three Year Workforce Plans are expected to use the Five Pillars of Workforce Planning outlined within the National Workforce Strategy (Plan, Attract, Train, Employ, Nurture) as the basis for outlining proposed actions to secure sufficient workforce to meet local projected short-term recovery and medium-term growth requirements across the health sector.
61. The Board is currently on track to submit a copy of the Plan to the Scottish Government by 31 July 2022.
62. Workforce challenges continued in 2021/22. The Board, alongside other boards, continues to experience challenges in filling medical and nursing vacancies, in particular within the theatre workforce. Ongoing phases of recruitment are being undertaken to manage workforce gaps and an International Recruitment project is underway to augment recruitment from within the UK. Responding to local challenges, including workforce attraction and retention is reflected in the Board's plans for 2022/23 and beyond.

Financial management

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



Auditor judgement



All three key financial targets for the year were met.

The Board has effective arrangements in place for financial management and the use of resources.

Financial performance

63. All Boards have to work within the resource limits and cash requirements set by the Scottish Government.
64. All key financial targets were met in 2021/22. The Board made a saving against its revenue resource limit of £107,000.

Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000
Core revenue resource limit (RRL)	111,305	111,198	107
Non-core revenue resource limit	7,885	7,885	-
Capital resource limit (CRL)	39,238	39,238	-
Cash requirement	122,975	122,975	-

Financial outturn in 2021/22

65. The £107,000 under-spend against revenue resource limit (RRL) represents 0.09% of the RRL and is therefore in line with the breakeven position forecast.

A one-year financial plan was submitted to Scottish Government in March 2021. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the three year Annual Operating and Financial Planning processes. Recognising the exceptional nature of 2021/22 and the impact on delivery plans, additional non-repayable funding was provided to support in-year financial balance across all Boards. The Board received £11.976million as shown in the following table:

Category	£000
Recovery workforce	3,577
Recovery non-pay	1,756
Vaccination programme	100
Drive through testing	205
Theatre capacity	256
GJCH income loss	3,000
Other income loss	460
Efficiency savings impact	1,040
Theatre pressures support	767
NHS Scotland Academy	815
Total	11,976

NHS Scotland Academy

66. The 2021/22 business case for the NHS Scotland Academy was £2.275million (revenue) split between the Board and NHS National Education for Scotland. The final outturn for the Board was £0.815million which was fully funded by the Scottish Government. The overall outturn position for the Academy was £1.014million, c.£1.261million less than the business case.

Centre for Sustainable Delivery (CfSD)

67. Funding for the CfSD workforce was agreed with Scottish Government for 2021/22 at an original baseline at £5.34million. Workforce funding received by the Board in 2021/22 equated to £4.660million with costs of £4.567million incurred. Programme costs totalled £2.967million in 2021/22 which were fully funded from the Scottish Government

Capital spend

68. £39.238million of capital expenditure was incurred, in line with the plan for the year and following authorised allocations agreed with Scottish Government.

Capital expenditure	£000
Property	4,747
Medical Equipment	5,904
IM&T	1,658
Elective Centres	26,930
Total	39,238

- 69. The Board received an additional £9.617million of core capital funding in year.
- 70. As part of the Scottish Government's £200million investment to meet demand for elective procedures, the Board's services are expanding to treat more patients.
- 71. Phase one of the expansion was completed with the opening of the new Eye Centre in November 2020.
- 72. Phase two of the Elective Care Centre programme is underway with completion anticipated by Summer 2023.

Efficiency savings

- 73. At year-end, efficiency savings delivered were £3.004million against the original 2021/22 financial year target of £4.044million. This under-achievement of £1.040million was a direct result of managing the impact of the pandemic and focus on recovery and remobilisation.
- 74. The savings achieved for financial year 2020/21 are split between recurring efficiency savings of £1.127million and non-recurring savings of £1.876million.
- 75. A further review of the year-end outturn and budgetary reviews has resulted in a carry forward of £1.3million unachieved savings being built into the 2022/23 financial plan.
- 76. The Board has plans in progress to develop a structured financial improvement group to identify key projects and identify leads and service supports to drive these forward from 2022/23 and beyond with a key component on the improvement in

recurring efficiency programmes and opportunities.

Systems of internal control

77. We have evaluated the Board's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.
78. We did not identify any significant weaknesses in the Board's accounting and internal control systems during our audit.

Internal audit

79. An effective internal audit service is an important element of a Board's overall governance arrangements. The Board's internal audit service is provided by Grant Thornton. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of the Board's total audit resource.

Prevention and detection of fraud and irregularity

80. We found the Board's arrangements for the prevention and detection of fraud and other irregularities to be adequate. The Board has continued to operate an effective control environment throughout the pandemic to ensure that those controls and procedures which prevent fraud have been appropriately managed.
81. Regular updates on fraud related matters (including Counter Fraud Services updates), and the National Fraud Initiative (NFI) are presented to the Audit and Risk Committee.

Whistleblowing measures

82. Whistleblowing updates are regularly provided to the Board. Confidential Contacts have been set up to provide confidential support to any employee who feels that they are being bullied or harassed at work or has a whistleblowing concern.
83. On 1 April 2021, a new Whistleblowing National Policy was introduced, which is designed to further enhance and build on the current arrangements. The Policy provides guidance on ensuring confidentiality and appropriate support for those who have chosen to raise concerns. This has led to new processes being introduced by the Board, with the development of the three stage process.

National fraud initiative

84. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
85. The most recent NFI exercise commenced in 2020. We completed a questionnaire and submitted this to Audit Scotland earlier this year. Overall we concluded that NFI arrangements are satisfactory, and that the Board has taken a reasonable and proportionate approach to investigating matches.

Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Auditor judgement



Governance arrangements at the Board were found to be satisfactory and appropriate.

The Board will see a period of change and loss of experience in executive members over the coming months. Arrangements have been put in place to ensure the risk to the organisation is minimised.

Governance and transparency

Governance

Board appointments

86. The following changes in board composition occurred during the year / or are due to occur in 2022:

- The Chair (Susan Douglas-Scott CBE) has been reappointed for a further four year period (to 2026);
- Three non-executive members (Linda Semple, Callum Blackburn and Stephen McAllister) have been reappointed for a period of four years (to 2026);
- One non-executive member left in April 2022 (Elaine Cameron). This post is currently being advertised;
- The Director of Operations (and Deputy Chief Executive) retired in May 2022. An Interim Executive Director of Operations is in place; and
- The Director of Finance (and currently acting as Deputy Chief Executive) is due to leave in 2022.

87. The Board will see a period of change and loss of experience in executive members over the coming months. The Chief Executive has put in place arrangements, such as widening the participation at executive team meetings, to ensure the risk to the organisation is minimised.

Board / Committee structures

88. The Board Standing Committees underpin the application of good governance within the organisation and are in line with the Blueprint for

Good Governance published in January 2019.

89. As a result of the Covid-19 pandemic, governance arrangements were subject to some approved amendments to respond to the developing issues faced across NHS Scotland and ensured the Board could discharge its governance responsibilities effectively and respond appropriately.
90. This included an agile governance process being implemented to ensure proposals to commence new services or restart core services were reviewed robustly and approved appropriately.
91. Through our review of the committee papers, we are satisfied that there has been effective scrutiny, challenge and informed decision making throughout the financial period.

Blueprint for good governance

92. The Board's self-assessment, carried out in 2019, to assess the efficacy of its governance arrangements in delivering on the Blueprint's objectives, has informed an action plan for Corporate Services. This action plan was reported to the Board in September 2021.
93. During 2021/22, the Board has carried out the following:
- Bi-monthly board seminars - a programme is in place which is aimed at ensuring board members are equipped to perform the functions described in the Blueprint.
 - A Board skills matrix was conducted in Summer 2021, with

- appraisals of Non-Executive Directors taking place in Autumn/December 2021. This has assisted in identifying required areas of development within the group of Non-Executive Directors.
- Board members were consulted in January 2022 on the response by the Chair of the Board to a NHS Education for Scotland (NES) questionnaire. This sought views on their induction process, whether they had had an appraisal, and whether they were aware of reflexive practice materials available through Health Improvement Scotland.
 - Board members were invited to attend a seminar, delivered by NES, in December 2021 on the work of NHS Assure. This seminar focused on the role of the board member in ensuring that capital projects embed principles of infection control, environmental sustainability, cost control, and equality embedded at all stages of project delivery.
94. A revised Model Code of Conduct for Members of Devolved Public Bodies was approved by the Scottish Parliament in December 2021. Work is underway to ensure that the intended “Once for Scotland” approach to implementation of the Model Code within the NHS, likely in summer 2022, is progressed through the Board’s governance structure. The Head of Corporate Governance regularly updates Board members on cases and guidance from the Commissioner for Ethical Standards in Public Life in Scotland and the Standards Commission for Scotland.
95. Through the Audit and Risk Committee the Board’s arrangements in delivery of Agile Governance, and the development of a Board Assurance Framework, will be developed in 2022/23. This will further support the Board’s implementation of the Blueprint.
- ### Changing landscape for the Board
96. The Board’s work programme has seen significant change over the last couple of years. The wider portfolio continues to expand with a number of strategic programmes underway. This includes the establishment of the NHS Scotland Academy and the augmentation and implementation of the Centre for Sustainable Delivery (CfSD).

Strategic programme	Background	Governance
<p>NHS Scotland Academy (in partnership with NHS Education for Scotland “NES”)</p>	<p>Officially launched in October 2021, the NHS Scotland Academy is a ‘joint venture’ between the Board and NHS Education for Scotland (NES). It will support the transformation and sustainability of the health and social care workforce through the development and delivery of new accelerated learning for key roles.</p> <p>The NHSS Academy will play a critical role in addressing the workforce requirements of Board’s remobilisation plans as well as supporting the commitment to attract staff to the National Treatment Centres Programme, with the added benefit of direct access to the clinical expertise.</p>	<p>During 2021/22 key governance groups with both parent Boards were established and core funding put in place to allow recruitment of team members to be secured.</p> <p>Work is underway to develop operational plans, performance management arrangements and risk arrangements which align and complement both organisations.</p>
<p>Centre for Sustainable Delivery (CfSD)</p>	<p>The Scottish Government requested that the Board establish the new national Centre for Sustainable Delivery (CfSD) to support the Care Programmes and enable NHS Boards to adopt the Remobilise, Recover and Redesign approach through sustainable transformation programmes across health and social care.</p>	<p>The CfSD operates under the existing sponsorship arrangements that are in place for the Board and under the direction of Scottish Government and Chief Executive of NHS Scotland.</p> <p>The Board’s Chief Executive provides accountable officer leadership for the CfSD and supports the centre to align with national priorities under the direction of Scottish Government to design, develop and support ‘Redesign for Recovery’ transformation programmes.</p>

Fairness and equality

97. A diversity and inclusion group oversees delivery of the Board's diversity and inclusion strategy through monitoring and oversight of annual action plans with public sector duties under the equality action. This includes production and publication of equalities mainstreaming report every two years which is approved by the Board.
98. The Board publishes workforce monitoring data on an annual basis including protected characteristics data. The Board also complies with gender pay gap reporting and is currently designing, testing and implementing ethnicity pay gap reporting.
99. All HR policies which are not national 'Once for Scotland' policies are equality impact assessed. Mandatory diversity and inclusion induction / training courses are in place.
100. Procurement has established best practice principles into its procurement policies and procedures under Fairer Scotland Duty including equality issues.

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Board's reporting of its performance.



Auditor judgement



The Board has appropriate performance management processes in place that support the achievement of value for money.

The Board has demonstrated its support to the Scottish Government's NHS Scotland Recovery Plan.

Responding to the COVID-19 pandemic

101. The Board continues to support the Scottish Government's NHS Scotland Recovery Plan. This includes expedited expansion plans, the ongoing Phase 2 National Treatment Centre expansion; work to develop and expand diagnostic services including endoscopy locally and nationally; continued development of the NHS Scotland Academy and Centre for Sustainable Delivery in support of accelerated workforce development, innovation and redesign; and a collaborative approach to supporting boards and NHS Scotland more generally to manage ongoing pressures.
102. The Board developed its third Remobilisation Plan (RMP) in April 2021. This plan described how the Board would sustain, develop and evolve to effectively support NHS Scotland's recovery. It set out the wide commitment from the Board to support National recovery and enable future sustainability through the work of the:
- Golden Jubilee University National Hospital (including ongoing expansion plans)
 - Centre for Sustainable Delivery
 - NHS Scotland Academy
 - Golden Jubilee Hotel and Conference Centre
103. Recognising the uncertainty due to the pandemic, in July 2021 the Scottish Government requested that all NHS Boards reflect on progress to date in

delivering remobilisation plans and that they develop updated RMPs to the end of March 2022 (RMP4).

104. Throughout the pandemic, the Board has focussed on maintaining a balance between the response to the pandemic and the continued safe provision of essential non-Covid services. The Board's overriding priority in setting that balance continues to be the safe delivery of services. The Board has worked collaboratively to prioritise urgent diagnostic and treatment, including cancer in line with the principles of the Framework for Cancer Surgery. The majority of services were repatriated from the end of June 2021 however the Board was asked again in September 2021 to treat urgent cancer patients.
105. In response to the pressures facing NHS Scotland, the Board has changed the mix of services it provides to support NHS Scotland patients with the greatest need, supporting NHS Boards in delivering critical to life heart, lung and cancer diagnosis and treatment.

Performance management arrangements

106. An Integrated Performance Report (IPR) is produced monthly as part of a two monthly performance cycle. The key elements of the reporting cycle are:
- IPR produced and shared with Board members monthly.
 - IPR on second month considered by three Committees.

- Board Summary Report produced including Chairs comments for Board consideration.

107. Through review of the committee papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

Performance in 2021/22

108. Four of the seven KPIs as detailed in the Annual Report and Accounts successfully met the target (2020/21: two of the seven KPIs met the target).

109. The three KPIs which were reported as below target (and were also below target in 2020/21) were:

- Staphylococcus Aureus Bacteraemia (SAB), including MRSA infections, to be maintained at less than 11.2 per 100,000 occupied bed days: actual 14.2 per 100,000 occupied bed days (27 per 100,000 in 2020/21)
- Achieve a sickness absence rate of below 4%: actual 5.9% (4.5% in 2020/21)
- 100% of patients to be treated within 12 weeks of decision to treat: actual 76% (70% in 2020/21)

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Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Board and the auditor and are detailed below.

Board responsibilities

The Board has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

Area	Board responsibilities
Corporate governance	<p>The Board, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements.	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; • maintaining proper accounting records; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the Board. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the</p>

Area	Board responsibilities
	<p>entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.</p>

Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Auditor General when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In October 2020, the Auditor General extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide continuity and stability in the current challenging environment. The FRC's Ethical Standard states that careful consideration must be given once an audit engagement lead has held the role for a continuous period of ten years. Our period of total uninterrupted appointment as at the end of 31 March 2021 was 10 years. As such to mitigate the threat to auditor independence as result of long association, and in accordance with guidance from Audit Scotland, we rotated the Engagement Lead. Nick Bennett was the Engagement Lead for the 2021/22 annual audit.

Audit and non-audit services

The total fees charged to the Group for the provision of services in 2021/22 (with prior year comparators) is as follows:

	Current year	Prior year
	£	£
Audit of National Waiting Times Centre Board (Auditor remuneration)	61,410	60,130
Audit of group component (as audited by Azets)	10,290	9,800
Total audit	71,700	69,930
Non-audit services	-	-
Total fees	71,700	69,930

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to National Waiting Times Centre Board.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the Board since appointment can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

Appendix 2: Adjusted differences identified during the audit

Corrected misstatements

No	Detail	Assets	Liabilities	Reserves	SoCNE
		Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
		£'000	£'000	£'000	£'000
1.	Write down of intangibles balances in the ledger (to reconcile to the accounts and asset register)	7		(7)	
2.	Reallocation of asset valuation in year to reconcile to valuers report	(345)		345	
3.	Recognition of assets donated to another health board in 2020	(118)		118	
4.	Overstatement of ledger / annual accounts for asset classified as building in asset register	(384)		384	
5.	Adjustment of prior year credit notes issued	97		(97)	
6.	Adjustment to CLO provision / funding (following Audit Scotland review)	95		(95)	
7.	Recognition of UK donated PPE stock (net impact nil on SoCNE; £406,000)	-		-	
Net impact on net asset position of Board – reduction in reserves					648
Total reserves per the unaudited financial statements (Board)					(161,699)
Total reserves per the audited financial statements (Board)					(161,051)

Disclosure amendments

No	Detail
1.	Remuneration Report – the initial unaudited accounts received did not include the new Fair Pay Disclosures
2.	Staff Report / SoCNE – amendments were made to reflect staff costs not attributable to the Board
3.	Staff costs / income – amendment made to reflect requirements of SG in respect of secondment income
4.	Elimination of intragroup transactions
5.	Update to Related Parties disclosures (reflecting good practice guidance issued in year)

Appendix 3: Follow up of prior year recommendations

We have followed up on progress in implementing the outstanding action raised in the prior year/s. This has now been closed as described below.

Action raised in 2020/21

Recommendation **Research and development (R&D) income**

Management should revise the current approach to recognising R&D income, to ensure it is compliant with IFRS 15.

Rating **Other deficiency** **Implementation date** November 2021

Closed

The Board has undertaken a contract by contract review during 2021/22. A Standard Operating Procedure on research and development capacity building for revenue has been drafted which outlines how these contracts should be accounted for. This procedure will be considered through internal governance routes for approval.

Our review of R&D income in 2021/22 concluded that the draft procedures are being applied and that the approach taken is compliant with IFRS 15.



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