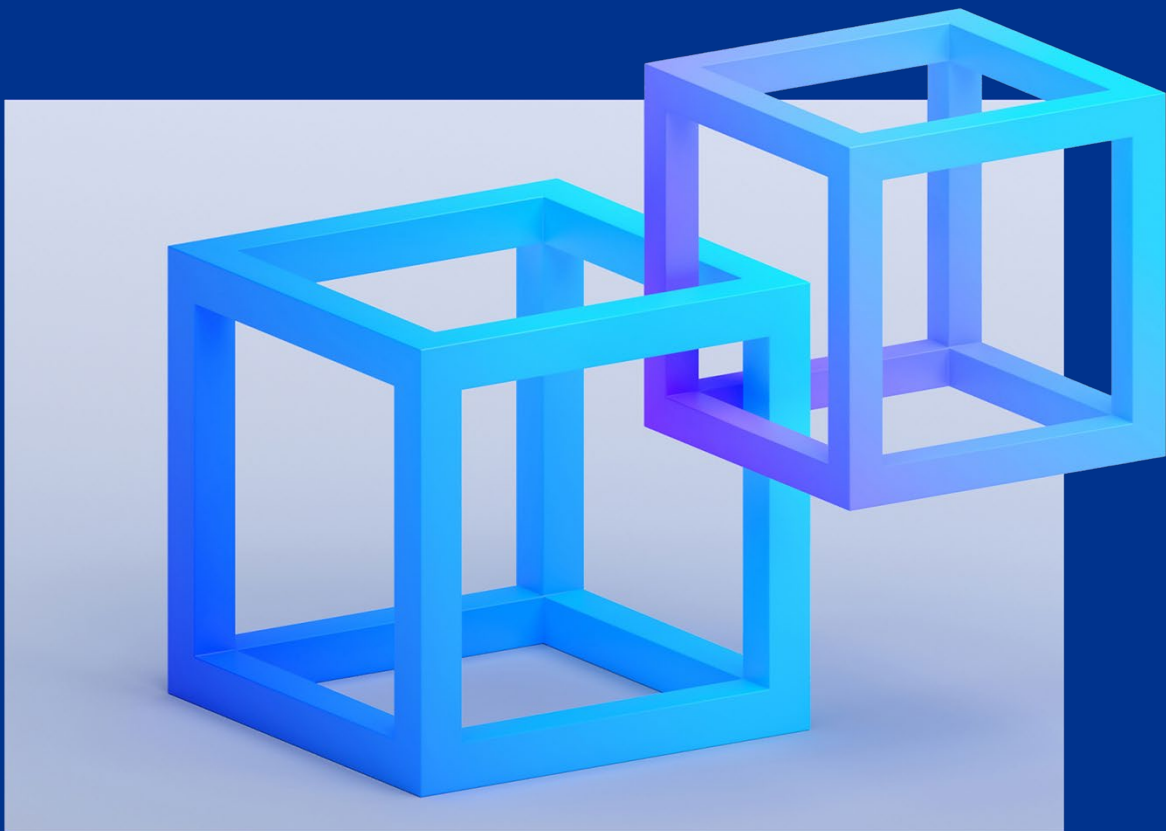




National Waiting Times Centre Board

Report to the Audit & Risk Committee
Audit plan and strategy for the year ending 31 March 2025

13 March 2025



Introduction

To the Audit & Risk Committee of National Waiting Times Centre Board

We are pleased to have the opportunity to meet with you on 13 March 2025 to discuss our audit of the consolidated financial statements of the National Waiting Times Centre Board ('the Board'), as at and for the year ended 31 March 2025.

This report outlines our risk assessment and planned audit approach. At page 18 we include our Wider Scope risk assessment as required by the Code of Audit Practice. We have to date identified one significant risk in relation to financial sustainability.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

The engagement team

Rashpal Khangura is the engagement director on the audit and is responsible for the audit opinion. He has over 20 years of NHS audit experience.

Rashpal shall lead the engagement Other key members of the engagement team include Imogen Milner and Francesca Shaw.

Yours sincerely,

R S Khangura

Rashpal Khangura

13 March 2025

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Introduction

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing.

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the auditing Code").

This report is for the benefit of National Waiting Times Centre Board and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Rashpal Khangura, who is the engagement leader for our services to National Waiting Times Centre Board, telephone 07876 392195 email: Rashpal.Khangura@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Tim Cutler, our lead for our work for Audit Scotland, either by writing to him at 1, St Peter's Square, Manchester M2 3AE or by telephoning 0161 246 4774 or email to tim.cutler@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH39DN.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of total budgeted expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £3.44m driven by our expectations of increased level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as remuneration of Board Member and Senior Employees.

We will report misstatements to the audit & risk committee including:

- Corrected and uncorrected audit misstatements above £265k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.



Group Materiality



Materiality for the consolidated financial statements as a whole

£5.3m

(2023/24: £4.5m, 2.0% of budgeted expenditure)

Procedures designed to detect individual errors at this level

£3.44m

(2023/24: £2.92m 65% of materiality)

Misstatements reported to the audit & risk committee

£265k

(2023/24: £225k)

Board Materiality

£5.2m

**1.96% of Board budgeted expenditure
£265.4m**

(2023/24: £4.40m)



Overview of planned scope including materiality (cont.)

Timing of our audit and communications

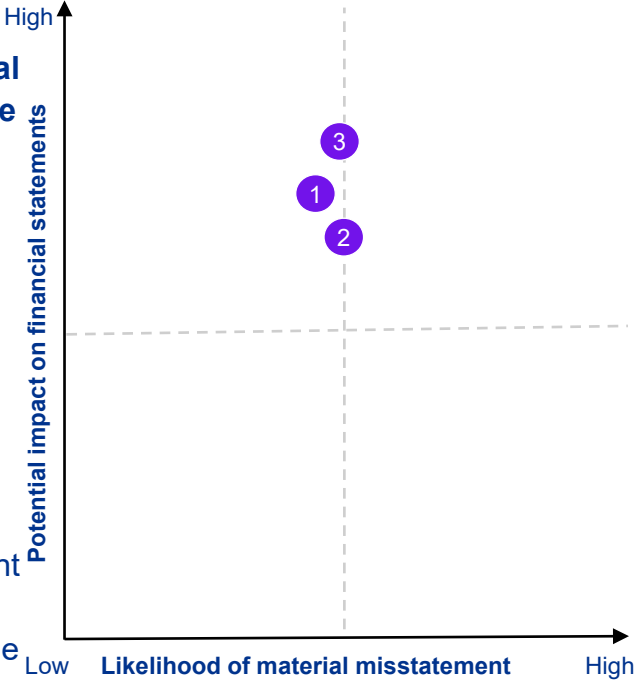
- We will maintain communication led by the engagement director and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in November 2024 where we outline our audit approach and discuss management's progress in key areas
- Audit & Risk Committee meeting in March 2025 where we present our draft audit plan
- Status meetings with management weekly in May 2025 and June 2025 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in June 2025 where we discuss the auditor's report and any outstanding deliverables
- Audit & Risk Committee meeting in June 2025 where we communicate audit misstatements and significant control deficiencies

Significant risks, Higher assessed risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, historic knowledge of the business, the industry and the wider economic environment in which the Board operates.

We also use our regular meetings with senior management to update our understanding and take input from component audit teams and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Risk Committee.



Key: # Significant financial statement audit risks

Significant risks

1. Valuation of land and buildings
2. Fraud risk – expenditure recognition
3. Management override of controls

Audit risks and our audit approach

1 Valuation of Land and Buildings

Change vs prior year 



Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value

- Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.
- The value of the Board's land and buildings at 31 March 2024 was £135.2m, however the valuation exercise will be expanded in 2024/25 to include the transfer of Phase 2 that will be moved from assets under construction to completed assets in year.
- The Board is due to undertake a full revaluation of its land and buildings in year as it does annually.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Board's properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Government Financial Reporting Manual (FReM);
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement;

Audit risks and our audit approach (cont.)

1 Valuation of Land and Buildings (cont.)

Change vs prior year 



Significant audit risk

Risk: The carrying amount of revalued Land & Buildings differs materially from the fair value

- Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a ‘modern equivalent asset’.
- The value of the Board’s land and buildings at 31 March 2024 was £135.2m, however the valuation exercise will be expanded in 2024/25 to include the transfer of Phase 2 that will be moved from assets under construction to completed assets in year.
- The Board is due to undertake a full revaluation of its land and buildings in year as it does annually.



Planned response

- We will perform inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the FReM;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the FReM;
- We will review the valuation report prepared by the Board’s valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2

Fraud risk from expenditure recognition - completeness

Change vs prior year



Significant audit risk

Risk: Liabilities and related expenses for purchases of goods or services are not completely identified and recorded

- As achieving a breakeven position along with target savings against the Board's Core Revenue Resource Limit (RRL) is a key target, there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that the target position has been met.
- The setting of a savings target can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred.
- We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2025/26 to mitigate financial pressures.



Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they exist and are valid;
- We will select a sample of year end accruals and inspect evidence of the actual amount paid after year end and other supporting information in order to assess whether the accrual exists and has been accurately recorded;
- We will inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence;
- We will perform a retrospective review of prior year accruals in order to assess the existence and accuracy with which accruals had been recorded at 31 March 2024 and consider the impact on our assessment of the accruals at 31 March 2025; and
- We will perform a year on year comparison of a sample of the largest accruals in the prior year and current year and challenge management where the movement is not in line with our understanding of the entity.

Audit risks and our audit approach (cont.)

3 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur

Change vs prior year 



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.



Planned response

- Our audit methodology incorporates the risk of management override as a default significant risk. We will perform the following procedures:
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments;
 - Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
 - Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual; and
 - We will analyse all journals through the year and focus our testing on those with a higher risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

Revenue – rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the Board, we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Scottish Government Funding Drawn Down	The Health Board are allocated a funding envelope by Scottish Government, this funding is drawn down in cash to facilitate payments that are required	The income is drawn down in cash, this is recognised on receipt and confirmation at year end leaves limited incentive or opportunities to manipulate the value recognised.
Other Income	Mix of income streams including: other income from Scottish government, other NHS bodies, donations, and other income	Approximately 90% of the prior year operating income balance is income from other NHS Scotland Bodies which will agree as part of the Public Sector balances agreement. The various other income streams are high volume, low value sales, with simple recognition criteria. There is a mixture of NHS and Non NHS income, however we do not deem there to be any incentive or opportunity to manipulate the income and note there would need to be a significant volume of transactions misstated to create a material error. We will further revisit and review this assessment at year end.

Note: (a) Presumed risk that professional standards require us to assess in all cases and which can be rebutted if there is no entity-specific significant risk relating to revenue recognition.

Group audit scope

We understand that the National Waiting Times Centre Board Endowment Fund is consolidated into the Group financial statements.

The table below shows the entities within scope of the Group audit and the extent of procedures we are planning to undertake in order to provide our Group audit opinion.

Entity	Financially Significant	Exposed to Group Significant Risks
National Waiting Times Centre Board (Parent)	✓	✓
National Waiting Times Centre Board Endowment Fund (Subsidiary)	-	-

We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Other significant matters related to our audit approach

Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report.

Estimates and judgements	Balance £m	Further comments
Valuation of Land and Buildings (estimate)	135.2	In the prior year, we assessed the assumptions underpinning the valuation and found these to be neutral. The Board is due to undertake a full revaluation of its land and buildings in year as it does annually.

Impacts of climate risk and climate change disclosures

We will evaluate management’s assessment of the potential financial implications of climate risk on the financial statements, including estimates and disclosures

As part of our procedures on other information, we will obtain and read your climate change disclosures. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	The Code outlines the responsibilities of Management in respect of the following: Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective governance of their activities. Audited bodies are responsible for maintaining: • strong corporate governance arrangements; • a financial position that is soundly based; • preparing accounts for audit, comprising financial statements and related reports; • sound systems of internal control; • standards of conduct for prevention and detection of fraud and other irregularities; and • internal audit.
Management’s responsibilities (Financial statements and related reports)	The Code highlights that: Management must prepare annual accounts comprising financial statements and other related reports. They have responsibility for: • preparing financial statements which give a true and fair view of their 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 their accounts 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 • preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements • ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

Mandatory communications

Type	Statements
Auditor's responsibilities	The Code outlines the responsibilities of Auditors. Auditors appointed by the Auditor General undertake the audit of accounts including the wider-scope responsibilities. Once appointed, auditors act independently in carrying out their responsibilities and in exercising professional judgement. The appointed auditor reports to the audited body and others on the results of audit work. Appointed auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code and guidance from Audit Scotland. More detail on the auditor's responsibilities for auditing accounts and their wider-scope responsibilities are set out in this document. Weaknesses or risks, including fraud and other irregularities, identified by auditors are only those which come to their attention during their normal audit work in accordance with the Code and may not be all that exist.
Auditor's responsibilities	The appointed auditors' statutory duties are derived from appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000. Appointed auditors' reports (ie, the independent auditor's report in relation to the accounts) must set out the auditor's findings on: • whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with any enactment by virtue of which the expenditure was incurred or the income received in line with the Budget Act(s) for the financial year, or any part of the financial year, to which the accounts relate to Sections 4-7 of the 2000 Act, relating to the Scottish Consolidated Fund (the Fund) • where sums have been paid out of the Fund for the purpose of meeting such expenditure, whether the sums were applied in accordance with Section 65 of the Scotland Act 1998 • whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with any applicable guidance (whether as to propriety or otherwise) issued by the Scottish ministers • whether the accounts comply with any applicable direction by virtue of any enactment.

Mandatory communications

Type	Statements
Auditor’s responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor’s responsibilities – Other information	The Code communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Auditor’s responsibilities – Consolidation Schedules	This “Whole of Government Accounts” requirement is fulfilled when we check your summarisation schedules are consistent with your annual accounts.
Independence	Our independence confirmation on page 26 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.

Audit timeline

We have developed our audit timeline based on management’s financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2024						2025						
Activity	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Risk assessment and planning									Inquiries of those charged with governance from November 2024				
Inventory count attendance													
Audit complex accounting estimates													
Year-end audit fieldwork													
Procedures on financial statements/ annual report													
Wider Scope Assessment													

Wider Scope

Wider Scope

Appointed auditors are required to consider the areas defined in the Code of Audit Practice (2021) ('the Code') as wider-scope audit.

Auditors should consider these additional requirements when:

- identifying significant audit risks at the planning stage
- reporting the work done to form conclusions on those risks
- making recommendations for improvement and, where appropriate, setting out conclusions on the audited body's performance.

The new Code has refreshed the areas used to define the wider audit scope. The previous 2016 edition set out four areas (described as audit dimensions), i.e. financial management, financial sustainability, governance and transparency, and value for money.

The new Code no longer uses the term audit dimensions, but it retains the areas of financial management and financial sustainability (though redefines each area) and replaces the other two as follows:

- governance and transparency dimension has been replaced with vision, leadership and governance area
- value for money dimension has been replaced with use of resources to improve outcomes.

The four wider-scope areas are briefly defined and the areas of focus and current position with the Risk Assessment work.

- Financial Management – Page 20;
- Financial Sustainability – Page 21;
- Vision, Leadership and Governance – Page 22; and
- Use of Resources to Improve Outcomes – Page 23.

Source: Code of Audit Practice

Reporting within the Annual Audit Report

We will report on the four wider scope areas within the Annual Audit Report, and we are required to provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that they have done. Where significant risks are identified we will make recommendations for improvement. The Annual audit reports will include conclusions which are retrospective in nature, comment on progress in implementing previous recommendations and on forward plans within aspects of the wider scope requirements.

Wider Scope Arrangements

Financial Management		
Scope Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively	Areas of Focus - the arrangements to ensure effective systems of internal control, to ensure public money is applied within the relevant financial rules; - the effectiveness of the budget control system to communicate accurate and timely financial performance to meet the needs of the user; - the accuracy and embeddedness of financial forecasting within financial management and financial reporting arrangements, including achievement of financial targets; - the arrangements taken to link budget setting, savings plans to the priorities and risks of the Board; and - the capacity and skills of the Board's finance team	Risk Assessment At this time, we have not identified any significant risks relating to financial management.

Wider Scope Arrangements

Financial Sustainability

Scope Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.	Areas of Focus - the arrangements in place to balance any short-term financial challenges and cashflow requirements and longer term financial sustainability; - the arrangements to ensure any recovery plan is fully integrated to deliver the Boards priorities; - the arrangements put in place to address any identified funding gaps/ savings plans and organisational restructures, including clarity of the impact on services to the public; and - the degree to which medium to longer term capital financial plans include clear links to how capital investment will be used to deliver organisational priorities, including revenue consequences of the capital expenditure.	Risk Assessment The NHS Golden Jubilee in January 2025 drafted the first version of their 3 year breakeven Financial Plan for the period 2025/26 to 2027/28, requiring a significant level of efficiency to be delivered in 2025/26 (£8.54m). Audit Response We will review the arrangements in place to ensure any short term financial challenges and longer term financial sustainability objectives are achieved. We will also specifically review the extent to which any savings plans have been developed and the Board has arrangements in place to deliver these. As part of this we will also consider the Board’s success at delivering saving plans in the current year.
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Wider Scope Arrangements

Vision, Leadership and Governance

Scope Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	Areas of Focus - the vision and strategy of the Board, to ensure it includes a clear set of priorities which reflects the pace and depth of improvement that is needed to realise the Board’s priorities and long term sustainability of services to meet the needs of the citizens; - that governance arrangements are appropriate and operating; - the level of involvement of the local communities, including seldom heard groups, and health inequalities in identifying and agreeing the Board’s priorities; - the evidence that demonstrates leaders are adaptive to the changing environment; and - the culture of the Board and how it operates with partners to understand their roles and responsibilities to help deliver the priorities of all partners, including where delivered through ALEO’s.	Risk Assessment At this time we have not identified any significant risks relating to vision, leadership and governance.
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Wider Scope Arrangements

Use of Resources to Improve Outcomes

Scope Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.	Areas of Focus - the arrangements in place to demonstrate that there is a clear link between money spent and outputs and the outcomes delivered; - the arrangements in place to assess whether outcomes are improving based on the trend and relative to pace of change in comparable organisations, and appropriate to the risk and challenges facing the Board; - the arrangements in place to consider cost of delivery of current services and whether alternative models of service delivery have been considered. - the arrangements to evaluate service delivery and quality and whether the views of users and are included in any such evaluation.	Risk Assessment At this time, we have not identified any significant risks relating to use of resources to improve outcomes.
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Appendix

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Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2024-25. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

- Auditor remuneration (** average of Tendervalues)
- Audit Scotland Pooled costs
- Audit Scotland Audit Support Costs
- Audit Scotland sectoral cap adjustment

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

Entity	2024/25	2023/24
Auditor Remuneration **	£92,080	£88,370
Pooled Costs	£9,540	£10,680
Audit Support Costs	-	-
Sectoral Cap Adjustment	-£7,720	-£6,940
TOTAL AUDIT FEES (Incl VAT)	£93,900	£92,110

Source: Audit Scotland

Billing arrangements

Fees will be billed by Audit Scotland in accordance with a billing schedule as outlined in correspondence with management.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Group’s audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-forms as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

Confirmation of independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of National Waiting Times Centre Board

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

We are not providing any non-audit services.

Confirmation of Independence (continued)

We have considered the fees charged to the Board for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

	2024/25	2023/24
	£	£
Audit of Board	93,900	92,110
Total audit	93,900	92,110
Other Assurance Services	-	-
Total non-audit services	-	-
Total Fees	93,900	92,110

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Compliance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully
KPMG LLP

Audit team and rotation

Your audit team has been drawn from our specialist healthcare audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	Rashpal Khangura is the director responsible for our audit. He will lead our audit work, attend the Audit and Risk Committee and be responsible for the opinions that we issue.
	Imogen Milner is the manager responsible for our audit. She will co-ordinate our audit work, attend the Audit and Risk Committee and ensure we are co-ordinated across our accounts and wider scope work.
	Francesca Shaw is the in-charge responsible for our audit. She will be responsible for our on-site fieldwork. She will complete work on more complex section of the audit.

To comply with professional standards we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Rashpal’s 3rd year as your engagement lead. He can therefore complete a further 7 years before rotation.

Newly effective accounting standards

Standards	Expected impact				Effective for years beginning on or after		Early adoption permitted
	High	Moderate	Low	None	01 Jan 2024	01 Jan 2025	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)				☐	☒		☒
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)				☐	☒		☒
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)				☐	☒		☒
Lack of exchangeability (Amendments to IAS 21)				☐		☒	☒
IFRS S1 ^(a) General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 ^(a) Climate-related Disclosures				☐	☒		☒

Note: (a) The implementation and the effective dates of IFRS® Sustainability Disclosure Standards are subject to local regulation

FRC's areas of focus

The FRC released their Annual Review of Corporate Reporting 2023/24 ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



Key expectations for 2024/25 annual reports

Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

FRC's areas of focus (cont.)



Key expectations for 2024/25 annual reports (cont.)

Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the 'Offsetting in the financial statements' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

FRC's areas of focus (cont.)

Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

Financial Instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

FRC's areas of focus (cont.)

Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1

Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

FRC’s areas of focus (cont.)

Thematic reviews

The FRC has issued three thematic reviews this year: ‘Reporting by the UK’s largest private companies’ (see below), ‘Offsetting in the financial statements’, and ‘IFRS 17 Insurance contracts –Disclosures in the first year of application’. The FRC have also performed Retail sector research (see below).

UK’s largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

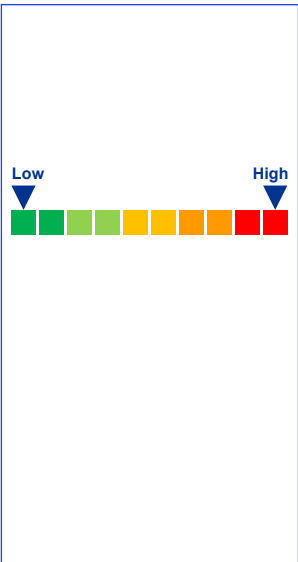
 Industrial metals and mining	 Construction and materials	 Food producers
 Retail	 Gas, water and multi-utilities	 Financial Services

ISA (UK) 600 Revised: Summary of changes

Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor’s responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.



Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquiries of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	Low High
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	Low High

ISA (UK) 600 Revised: Summary of changes

Area	Summary of changes and impact	Effect on audit effort
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor’s planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor’s work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	



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