

# NHS Education for Scotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of NHS Education for Scotland and the Auditor General for Scotland  
June 2024

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# Key messages

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## 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.

## Financial management

- 2 NES operated within its Revenue Resource Limit of £700.7 million for the 2023/24 financial year.
- 3 NES has appropriate budget monitoring and fraud detection arrangements in place.
- 4 No issues have been identified with the systems of internal control in operation for 2023/24.

## Financial sustainability

- 5 NES have effective and appropriate financial arrangements in place to continue to deliver services and ensure financial sustainability. This includes a three-year financial strategy which breaks even in 2024/25, but which identifies small but increasing funding gaps in 2025/26 and 2026/27.

## Vision, leadership and governance

- 6 NES has a clear vision, strategy and priorities, covering 2023-26 and approved by the Board.
- 7 NES has effective and appropriate governance arrangements.

## Use of resources to improve outcomes

- 8 NES has an appropriate and effective best value framework in place
- 9 NES is developing a new performance framework which is more targeted and concise. Good progress has been made in the development of targets against which to report progress. As at 31 March 2024, 71 per cent had been reported fully.

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# Introduction

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1. This report summarises the findings from the 2023/24 annual audit of NHS Education for Scotland (NES). This report is addressed to the board of NHS Education for Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.
2. The scope of the audit was set out in an Annual Audit Plan presented to the April 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises the significant matters arising from an audit of NES's annual report and accounts alongside conclusions on the wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
3. We would like to thank members, directors and other staff, particularly those in finance, for their cooperation and assistance this year. We look forward to continuing to work together constructively over the remainder of the audit appointment.

## Responsibilities and reporting

4. NES has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers. NES is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.
5. The responsibilities of the independent appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021 and supplementary guidance, and International Standards on Auditing in the UK (ISAs).
6. This report contains an agreed action plan at [Appendix 1](#). Weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of NES from its responsibility to address the issues raised and to maintain adequate systems of control.

## Auditor independence

7. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. I can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £79,730, as set out in my Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Adding value through the audit

8. The annual audit adds value to NES by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice.

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# 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified.

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## Audit opinions on the annual report and accounts

**9.** The Board approved the annual report and accounts for NES for the year ended 31 March 2024 on 27 June 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- expenditure and income were in accordance with applicable enactments and guidance.
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual.
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

## Overall materiality was revised on receipt of the unaudited annual report and accounts to £16.3 million

**10.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and impact their opinion as set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**11.** Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts as summarised in [Exhibit 1](#).

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## Exhibit 1 Materiality values

Materiality level	Planning Materiality	Revised Materiality
Overall materiality	£14.5 million	£16.3 million
Performance materiality	£10.9 million	£12.2 million
Reporting threshold	£300,000	£325,000

Source: Audit Scotland

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**12.** The overall materiality threshold was set with reference to gross expenditure, which is the figure most relevant to the users of the financial statements.

**13.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting the minimal errors identified in prior year audits and a low level of risk identified during our planning process.

**14.** It is our responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**15.** Under ISA (UK) 260, we communicate significant findings from the audit to the those charged with governance, including our view about the qualitative aspects of the board's accounting practices.

**16.** The Code of Audit Practice also requires the reporting of key audit matters as defined in ISA (UK) 701 as those matters judged to be most significant. These are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p><b>1. Provisions - Dilapidations</b></p> <p>Note 10 of the financial statements records a dilapidations provision of £3.8 million (2022/23: £3.7 million) reflecting the estimated future costs of returning four leased properties to their original condition. One of these estimates dates back to 2014, with another dating back to 2017. The value of these remaining properties is £2.2 million.</p> <p>We recommended in the previous year that management obtain an updated assessment to ensure the provision reflects the current cost of the refurbishment required.</p> <p>While an updated assessment was made in respect of one property in 2023, a full review was not undertaken in advance of the 2023/24 accounts being prepared.</p>	<p>We discussed the issue with management, and it was agreed that a full review will be undertaken of the dilapidation provision in 2024/25. We are content that this does not represent a material misstatement for the 2023/24 financial statements.</p> <p><b><u>Recommendation 1</u></b></p>
<p><b>2. Accruals and provision for fixed term contract staff: redundancy payments</b></p> <p>Note 9 (trade and other payables) and note 10 (provisions) include £468,000 and £319,000 respectively which relate to fixed term contract (FTC) staff redundancy payments and their funding.</p> <p>Guidance requires that accruals are made in respect of goods and services where the benefit was received within the reporting year for which an estimated liability is recorded.</p> <p>Provisions should be recognised when an entity has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.</p> <p>We do not consider that the recognition of the accrual and provision is consistent with the conditions set down in guidance.</p>	<p>We discussed the issue with management who explained their treatment of the adjustments.</p> <p>Management agreed to review the methodology around these accruals and provisions. They have not adjusted the financial statements to reflect the reversal. We refer to the adjustment at paragraph 18 below.</p> <p><b><u>Recommendation 2</u></b></p>
<p><b>3. Opening CETV disclosure</b></p> <p>The Remuneration and Staff Report discloses pension information including the opening CETV</p>	<p>We raised this with management who have amended the disclosures in the Remuneration and Staff Report.</p>



Issue	Resolution
<p>calculation at the start of each financial year. In accordance with the guidance this should exclude the impact of inflation meaning that the movement disclosed will be less than the difference between the closing and opening balances.</p> <p>Due to the manner that this information is presented within the CETV calculator, NHS Boards have incorrectly disclosed the opening CETV balance adjusted for inflation.</p> <p>This is a common issue that has been identified across the majority of NHS accounts and impacts on the current and prior year opening CETV disclosures.</p>	

Audit Scotland

## Audit work responded to the risks of material misstatement identified in the annual report and accounts

17. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3 Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Audit Response	Conclusion
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. This is presumed to be a significant risk in every audit.</p>	<ul style="list-style-type: none"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual journal activity and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Consider the need to test journal entries and other adjustments during the year.</li> </ul>	<p>Work undertaken included detailed testing of journal entries, accruals, prepayments and invoices, as well as a review of accounting estimates and transactions for appropriateness.</p> <p><b>Conclusion:</b> No incidence of management override of controls was identified.</p>

Audit risk	Audit Response	Conclusion
	<ul style="list-style-type: none"> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess any changes to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focused testing of accounting accruals and prepayments</li> </ul>	

Source: Audit Scotland

## There was one non-material misstatement identified within the financial statements

**18.** There were no material misstatements identified through the audit work carried out. We identified one non-material misstatement relating to the accrual and provision of redundancy payments in respect of specific fixed term contracts (see [Exhibit 2, Point 2](#)). If corrected, the impact would be to reduce net expenditure by £787,000 and reduce taxpayers' equity by the same amount. No other misstatements above the reporting threshold were identified.

## The unaudited annual report and accounts were received in line with the agreed timetable

**19.** The unaudited annual report and accounts and associated working papers were received in line with the agreed audit timetable on 7 May 2024.

## Some progress was made on prior year recommendations

**20.** NES has made some progress in implementing the agreed prior year audit recommendations. Of the three recommendations included in our 2022/23 Annual Audit Report, one has been fully actioned, one is in progress and one has not yet been actioned. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

### Conclusion

NES operated within its Revenue Resource Limit of £700.7 million for the 2023/24 financial year.

NES has appropriate budget monitoring and fraud detection arrangements in place. No issues have been identified with the systems of internal control in operation for 2023/24.

### NES operated within its Revenue Resource Limit (RRL) of £700.7 million

21. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. [Exhibit 4](#) shows that NES operated within its limits during 2023/24.

#### Exhibit 4

##### Performance against resource limits in 2023/24

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	697.554	697.345	0.209
Non-core revenue resource limit	3.132	3.132	0
<b>Total revenue resource limit</b>	<b>700.686</b>	<b>700.477</b>	<b>0.209</b>
Core capital resource limit	2.365	2.362	0.003
Cash requirement	698.468	698.468	0

Source: NES Annual Report and Accounts 2023/24

**22.** As shown above, NES reported a small underspend of £0.2 million in 2023/24. The 2023/24 financial plan had a savings target of £3.4 million of non-recurring savings. NES achieved £6.7 million of non-recurring savings in year, exceeding the planned savings by £3.3 million. NHS boards were asked by the Scottish Government to minimise all spending in 2023/24. NES responded well to the challenge and the executive team agreed to stop all discretionary spend which resulted in £2.2 million being saved together with £1.1 million achieved through vacancy lag times.

**23.** The Scottish Government requested all national NHS bodies to make additional non-recurring savings of between 5-10 per cent. NES achieved £6.9 million in-year savings, representing 5 per cent of NES baseline budget which was returned to the Scottish Government in August 2023.

**24.** NES, together with all other health boards receive both baseline and earmarked recurring funding together with non-recurring funding. NES received over 16 per cent of their total funding as non-recurring (£112.9 million). This level of non-recurring funding makes it very challenging for NES to manage their budget effectively.

### **Budget processes were appropriate**

**25.** NES Board approved its Budget and Financial Plan for 2023/24 in March 2023 which identified a small funding gap of £83,000. This budget position was kept under review throughout the year, with updates being reported to the Board on a quarterly basis. Monthly financial updates were also presented to the executive team.

**26.** We reviewed the budget monitoring process within NES and are satisfied that this is appropriate, timeously produced and is of a sufficient quality to allow adequate scrutiny by Board members.

### **NES has appropriate financial control arrangements in place**

**27.** We reviewed the design and implementation of the controls within the key financial systems (including those relating to IT controls). This was undertaken to identify any potential weaknesses which could affect NES's ability to record, process, summarise and report financial and other relevant data.

**28.** We did not identify any significant weaknesses which would potentially result in a material misstatement within the financial statements.

**29.** As part of our overall audit approach we rely on assurances from key service providers, including:

- NHS Ayrshire & Arran for the provision of the National Single Instance eFinancials service
- NHS National Services Scotland for the provision of payroll services and the associated national IT contract

- NHS Tayside for the uprating of annual pay awards in the E-payroll system hosted by NHS National Services Scotland.

**30.** We considered the evidence from service auditor's assurance reports and other auditor assurances for 2023/24. We note the qualified opinion from the service auditor for the IT service contract that underpins the payroll system. We concluded that this did not impact on the audit approach and are satisfied that sufficient audit assurances have been obtained.

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

**31.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**32.** Our conclusion is that NES has adequate arrangements in place to prevent and detect fraud or other irregularities. This is based on our review of:

- control arrangements
- overall policies and procedures
- Counter Fraud Service Reports
- post payment verification reporting
- the national fraud initiative
- internal audit reports.

### **National Fraud Initiative**

**33.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NES participates in this biennial exercise. The 2022/23 exercise concluded in February 2024 with the final report due to be published in Summer 2024.

**34.** We have reviewed NES participation in the 2022/23 NFI exercise and noted good engagement with the exercise including timely review and closure of matches and regular reporting on progress to the Audit and Risk Committee. NES reviewed a total of 1,031 high risk matches, with no issues identified from this review.

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# 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

NES has effective and appropriate arrangements in place to continue to deliver services and ensure financial sustainability.

NES has developed a three-year financial plan for 2024/25 to 2026/27. While 2024/25 is reflecting a breakeven position, the following years identify funding shortfalls which will need to be addressed.

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## Significant changes are needed to ensure financial sustainability of Scotland's health service

**35.** The significant cost pressures already experienced by public bodies are likely to continue. As highlighted in Audit Scotland's [NHS in Scotland 2023](#) report, the financial position is concerning across the health sector, despite the health budget increasing in real terms since 2013/14. A range of financial pressures are presenting a significant challenge for all health boards. These include inflation and recurring pay pressures.

**36.** NES continues to see a significant proportion of its budget made up of non-recurring funding, which amounted to £112.9 million (16 per cent) in 2023/24. This limits financial flexibility to deal with some of the highlighted financial pressures and to make future savings.

**37.** A significant proportion of NES expenditure is related to staff costs, with 28 per cent of gross expenditure in 2023/24 relating to staff expenditure. Staff costs at NES rose by £29.8 million (14.5 per cent) in 2023/24, while whole time equivalent staff numbers remained relatively stable. The increase was due to pay awards, expansion of the GP trainee programme and a change in classification of dental trainees.

## NES has prepared a medium-term financial plan that identifies future funding gaps

**38.** NES produced an updated three-year financial plan for 2024/25-2026/27 which was presented to the Board in March 2024. These plans reflect an overall deficit position of £1.142 million over the duration of the plan. Forecasts in the financial plan are based on several assumptions, including adjustments for inflationary costs and pay growth.

**39.** The original 2024/25 baseline budget provided by the Scottish Government in December 2023 included a 3 per cent reduction in the baseline budget, which was applied by the Scottish Government as part of an overall funding reduction programme. As a consequence, NES was required to achieve a £15.7 million savings target. NES has engaged closely with the Scottish Government to ensure that NES can deliver its core responsibilities within the available funding envelope, while still remaining in financial balance and also protecting frontline healthcare delivery as far as possible. This will require NES to work very closely with Scottish Government during 2024/25, and will also require NES to revisit its delivery priorities to maintain financial balance.

**40.** The financial plan for 2025/26 and 2026/27 highlights funding gaps of £8.473 million before savings, which includes the assumption that the £12 million additional funding provided in 2024/25 will continue. In response to the funding gaps, NES have identified planned savings targets of £8.007 million and £7.797 million respectively; this still leaves funding gaps of £0.466 million and £0.676 million for which additional savings will require to be found. The identification of savings for these future funding gaps will progress over time as further budget information becomes available. We will continue to keep this area under review.

**41.** The financial pressure across the NHS system will continue to be monitored closely and NHS boards have again been recently asked to identify actions to reduce spending and support the overall savings target.

### **Public service reform is essential to address budget pressures**

**42.** The Auditor General for Scotland reported in November 2023 on [The 2022/23 audit of the Scottish Government Consolidated Accounts](#). He noted that the delivery of public services in their current form is not affordable and that the Scottish Government must work with partners to develop a programme of public service reform, including workforce redesign, which balances the short-term financial pressures with the need for longer-term change.

**43.** With the pressures on the Scottish budget, all public sector bodies should be reviewing their structures, joint working, shared services and other productivity measures together with their purpose to ensure future sustainability.



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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

NES has effective and appropriate arrangements in place to implement its vision, strategy and priorities.

Governance arrangements remain appropriate and support the scrutiny of decisions and the delivery of NES's plans.

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## NES has a clear vision and strategy

**44.** NES strategy 2023-26 sets out their vision clearly which is 'to support better rights-based quality care and outcomes for every person in Scotland through a skilled, capable, and resilient health and social care workforce'. This is supported by a number of objectives with a focus on three key themes of People, Partnerships and Performance.

## Governance arrangements are effective and appropriate

**45.** NES governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are effective and appropriate.

**46.** To enable the Chief Executive to prepare a Governance Statement, assurances on the maintenance and review of internal control systems are required from the Directors within NES. Internal control systems comprise the whole network of systems established in an organisation to provide assurance that organisational objectives will be achieved. As part of our audit, we review the assurances provided.

**47.** We were not provided with these assurances until late May 2024, three weeks after our audit commenced due to a delay in starting the process of seeking assurances. We have recommended that this process be carried out earlier in the year to allow this to better support the drafting of the governance statement and to allow earlier review by audit. See [Appendix 1](#).



**48.** Papers and minutes for Board meetings which also include committee minutes, and financial and performance information are available on the NES website. These detail the decisions that have been made.

**49.** Scrutiny arrangements are working well in NES and we have witnessed this through our regular attendance at Audit and Risk Committee meetings and review of committee minutes and papers.

### **Climate change arrangements continue to develop**

**50.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**51.** We reported on NES Climate Change arrangements in our prior year annual audit report and made a recommendation for improvement (see [Appendix 1](#)). We have reviewed progress against this recommendation and note that NES has taken some action including the development of a climate change strategy and action plan. This is due for implementation during the 2024/25 financial year. There are also plans to further develop the work of the Climate Emergency and Sustainability Group.

**52.** The Auditor General for Scotland and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 5. Use of resources to improve outcomes

Public sector 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.

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## Conclusions

NES are in the process of embedding their performance management framework and are making good progress against their targets.

An appropriate and effective best value framework is in place.

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## NES are embedding their new performance management framework

**53.** During 2023 NES developed a new performance management framework to support their Corporate Strategy 2023-26, which included a suite of 41 high level KPIs (with 49 individual measurable metrics) linked to the strategic themes of People, Partnerships and Performance. This is significantly streamlined from the previous reporting framework which contained, and reported on, over 500 KPIs. Reporting on the new framework began during the 2023/24 financial year, with quarterly updates being presented to the Board and each committee also receiving regular updates on the KPIs for which they have responsibility.

**54.** The Q4 KPI report presented to the Board noted the following:

- 22 metrics were assessed as Green based on the targets set.
- 4 metrics were assessed as Amber based on targets set.
- 3 metrics were assessed as Red based on targets set.
- 13 metrics have no data available as at the Q4 report.
- 7 metrics have available data but have no targets or RAG status assigned.

**55.** Based on the above, NES are reporting available data for 73.5 per cent of their identified metrics, however a small number of these still require targets to be set. Of the 29 metrics reporting a RAG status for 2023/24, 75 per cent of these are achieving target, highlighting strong performance in these areas. We note the positive improvement throughout 2023/24 and the further work required

in 2024/25 to gather and implement targets for the remaining KPIs. We will continue to monitor this going forward.

## **NES have made good progress in delivering against their Annual Delivery Plan**

**56.** NES also report progress quarterly against their Annual Delivery Plan (ADP) deliverables. NES ADP for 2023/24 included 141 deliverables. The year end position is as follows:

- 54 deliverables categorised as Blue – Complete
- 66 deliverables categorised as Green – On Track
- 18 deliverables categorised as Amber – Minor Delays
- 3 deliverables categorised as Red – Significant Delays

**57.** The above shows that 85 per cent of NES deliverables are complete or on track to be completed within timescales. The deliverables that are reporting minor delays are due to short term issues such as staff sickness absence. The three deliverables which are currently reporting significant delays are due to issues including unfilled vacancies and lack of funding. These deliverables have been carried forward to be reviewed and revisited as part of the 2024/25 ADP.

## **The Performance Report has been reviewed and updated**

**58.** In addition to the audit opinion on the performance report we also consider the qualitative aspects of the performance report included in the annual report and accounts. The purpose of a performance report is to provide information on a body, its main objectives and strategies and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of performance and is an essential element in helping stakeholders understand the financial statements. The performance report is therefore an opportunity for the organisation to ‘tell its story’ and enhance openness and transparency.

**59.** We reported last year that improvements could be made to the narrative to provide a more rounded picture of what has been achieved during the year. We considered that the report could be further developed to provide a more accessible overall assessment of whether priorities are being delivered and aims are being achieved, and the contributions being made to outcomes as a result.

**60.** We are pleased to record that NES has reviewed the content of the performance report and it is now more focused and accessible. NES have acknowledged that the performance report will continue to be developed in order to aid transparency and help strengthen accountability and scrutiny.

## **NES has an appropriate and effective best value framework**

**61.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer’s duty

to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**62.** We have identified no issues relating to best value in our work carried out in 2023/24. NES prepare an annual review against the best value characteristics which is presented to the Audit and Risk Committee and outlines the work carried out in the year to meet each of the characteristics. Best value is built into the NES procurement strategy, to ensure it is achieved in all procurement activity.

**63.** We carried out a specific review of the cross-cutting best value theme of Equalities within NES as part of 2023/24 audit. NES has multiple internal stakeholder groups, across all organisational levels, who are actively promoting and advancing fairness and equality. Consideration of equality is mainstreamed across NES, through frequent voluntary learning, support and engagement events, the inclusive design of processes, and regular mandatory training. It is also mainstreamed into strategic decision-making, through equality impact assessments and Fairer Scotland assessments.

**64.** Furthermore, NES continually measures its performance against numerous equality indicators, which it reports across several publications that are produced at different intervals, ranging from quarterly to quadrennially. On this basis, we are satisfied that NES is committed to securing, and is taking appropriate action to secure, best value in relation to equalities.

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Provisions - Dilapidations</b></p> <p>The provision for dilapidations is based on some out-of-date assessments. This has been the case for a number of years.</p> <p>Risk. There is a risk that the amount provided is understated and that it does not meet the necessary dilapidation cost.</p>	<p>NES should review the provision for dilapidations and provide a more up to date estimate of the remedial costs.</p> <p><a href="#">Exhibit 2 – point 1</a></p>	<p><b>Accepted</b></p> <p>We will carry out a revaluation of the dilapidations for our leased properties in Edinburgh, Inverness and Aberdeen during 2024/25.</p> <p><b>Director of Finance</b> <b>31 March 2025</b></p>
<p><b>2. Accruals and provision for fixed term contract staff: redundancy payments</b></p> <p>Management have accrued and provided for potential redundancy costs for fixed term contracts. We do not believe that these fulfil the requirements of the accounting definitions.</p> <p>Risk: There is a risk that the outturn position is adversely affected.</p>	<p>NES should review the methodology and rationale around potential redundancy payments for fixed terms contracts.</p> <p><a href="#">Exhibit 2 – point 2</a></p>	<p><b>Accepted.</b></p> <p>The methodology and calculation will be reviewed and agreed with the auditors during 2024/25.</p> <p><b>Deputy Director of Finance.</b> <b>31 March 2025.</b></p>
<p><b>3. Directors Assurance Statements</b></p> <p>The directors' assurances were not obtained until after the governance statement had been drafted and were</p>	<p>NES should receive and assess assurances earlier in the year to ensure the complete and up to date drafting of the governance statement.</p>	<p><b>Accepted</b></p> <p>The timetable for the 2024/25 Annual Accounts process has been updated. Certificates of Assurance will be requested at the end of the financial</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>not available for audit review until late May. A number remained outstanding into June.</p> <p>Risk: There is a risk that the governance statement does not include the assurances (or otherwise) from all relevant staff.</p>	<p><a href="#">Paragraph 47</a></p>	<p>year and be able to the auditors at the start of the audit.</p> <p><b>Deputy Director of Finance</b> <b>31 March 2025</b></p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 1. Provisions - dilapidations</b></p>	<p>NES should review the provision for dilapidations and provide a more up to date estimate of the remedial costs.</p> <p>31 March 2024</p>	<p><b>Outstanding</b></p> <p><b>See Appendix 1- recommendation 1 above</b></p>
<p><b>b/f 2. Climate change</b></p>	<p>NES should ensure appropriate action is being taken to set targets, monitor and report on these targets to ensure progress towards 2030 and the legally binding net zero target in 2045.</p> <p>31 March 2024</p>	<p><b>Implemented</b></p> <p>NES have developed a Climate Change strategy for implementation in 2024/25. An action plan has also been developed. This is underpinned by the work of the Climate Emergency and Sustainability Group.</p>
<p><b>b/f 3. Performance report</b></p>	<p>NES should review their performance report process for 2023/24 to ensure it provides transparency around the achievement or otherwise of objectives and is clear and understandable.</p> <p>31 March 2024</p>	<p><b>In Progress</b></p> <p>NES have taken steps to improve their performance report in 2023/24 and we provided some feedback on the draft performance report regarding the structure and content.</p>

# NHS Education for Scotland

## 2023/24 Annual Audit Report

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