The State Hospitals Board for Scotland

Annual Audit Report to the Board and the Auditor General for Scotland

29 June 2023

Key contacts

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Introduction

To the Audit Committee of The State Hospitals Board for Scotland

We are pleased to have the opportunity to meet with you on 22 June 2023 to discuss the results of our audit of the financial statements of The State Hospitals Board for Scotland (the 'Board') as at and for the year ended 31 March 2023.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 6 April 2023. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy. Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion.

We expect to issue an unmodified Auditor's Report on the financial statements and from our work over Wider Scope we haven't identified any weaknesses in the Board's arrangements.

We draw your attention to the important notice on page 4 of this report, which explains:

- The purpose of this report;
- Limitations on work performed; and
- Restrictions on distribution of this report.

Yours sincerely,

Michael Wilkie

29 June 2023

How we have delivered 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**.

Audit Scotland (AS) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Board.

External auditors do not act as a substitute for the Board's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Important notice

Purpose of this report

This report has been prepared in connection with our audit of the financial statements of The Sate Hospitals Board for Scotland (the 'Board'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Annual Accounts Manual, as at and for the year ended 31 March 2023. This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

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 The State Hospitals 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

Status of our audit

Our audit is now complete

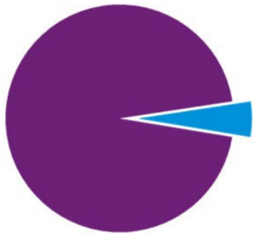
The State Hospitals Board

Materiality Board

Total Board expenditure

£41.3m

(2021/22: £40.8m)



Board materiality

£0.83m

2% of expenditure

(2021/22: £0.61m, 1.5% of revenue)

Board: £41k

Misstatements reported to the Audit Committee (2021/22: £31k)

Board: £0.7m

Procedure designed to detect individual errors at this level (2021/22: £0.46m)

Board: £0.83m

Materiality for the financial statements as a whole (2021/22: £0.61m)

Our materiality levels

We determined materiality for the Board 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 expenditure which we consider to be appropriate as it reflects the scale of the Trust's services and we consider this most clearly reflects the interests of users of the Trust's accounts. To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of performance materiality (£0.7m). We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as directors' salary information in the remuneration report.

Materiality vs other metrics

	2022/23
Total Revenue	2.1%
Total assets	0.9%

Our audit findings

Significant audit risks	Risk Change	Findings (Page 8 to 12)
Valuation of Land & Buildings (Key audit matter)	No change	We have reviewed the data, assumptions and methodology involved in managements' valuation of land and buildings. We have identified an issue in relation to selection of indices and this is discussed further on page 9.
Fraud risk – expenditure recognition	No change	We identified a misstatement within accruals however the amount is not material and this will remain unadjusted. We consider the amount of expenditure recognised to be acceptable. See page 11.
Management override of controls	No Change	We have not identified any instances of management override of controls.
Key accounting estimates	**Judgement**	**Findings (Page 13)**
Property Plant and Equipment Valuation	Cautious	We have reviewed the data, assumptions and methodology involved in managements' valuation of land and buildings. We have identified an issue in relation to selection of indices and this is discussed further on page 9.

Key audit matters
We set out above those areas which we considered to be key audit matters, in this case, valuation of land & buildings. The reason, response and related disclosures are summarised within the detail of this report.

Wider scope (Page 15-25)
Under the Code of Audit Practice we are required to consider the areas defined in the Code of Audit Practice (2021) as wider-scope audit. We are required to provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that we have done. Where significant risks are identified we will make recommendations for improvement. We have nothing to report in this respect.

Whole of Government Accounts (Page 14)
We intend to issue an unqualified Group Audit Assurance Certificate to Audit Scotland regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to Scottish Government.

Our audit findings

Corrected Audit Misstatements		Page 34
Understatement/ (overstatement)	**£000**	**%**
Expenditure	(394)	1
Surplus/(deficit)	394	172
Total Net Assets	(394)	0.5
Reserves	394	0.5

Uncorrected Audit Misstatements		Page 33
Understatement/ (overstatement)	**£000**	**%**
Expenditure	(186)	0.5
Surplus/(deficit)	186	82
Total Net Assets	(186)	0.3
Reserves	186	0.3

Number of Control deficiencies	Page 29
Significant control deficiencies	2
Other control deficiencies	4
Prior year control deficiencies remediated	2

Audit risks and our audit approach

Valuation of land and buildings

Significant audit risk and key audit matter

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

£77m (2021-22 £76m)

Refer accounts -44-45 (accounting policy), p50 (sources of judgement and estimation uncertainty), p60 (financial disclosures)

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 2022 was £77m, of which £76m are valued as specialised assets at depreciated replacement cost.

In accordance with its accounting policies, the Board measures its property assets at fair value through a 5-year programme of professional valuations which are adjusted in intervening years to take account of movements in prices since the last valuation. In line with its 5-year programme, a professional valuation was last completed at 31 March 2021.

Due to the specialised nature of the buildings, the carrying value of assets is based on a range of estimates. The level of estimation uncertainty and the material nature of the Board's asset base represents an increased risk of material misstatement in the financial statements.

Audit risks and our audit approach

Valuation of land and buildings

Significant audit risk

Our procedures included

Control design:

– We assessed the adequacy and outcome of the Board's most recent assessment for impairment across its estate;

– We evaluated the design and implementation of associated controls

Assessing the valuer's credentials:

– We critically assessed the independence, objectivity and expertise of the Valuations Office Agency, the valuers used in developing the valuation of the Board's properties at 31 March 2023;

– We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they were appropriate to produce a valuation consistent with the requirements of the Government Financial Reporting Manual (FReM), the NHS Capital Accounting Manual and the Board's accounting policies;

Input assessment:

– We compared the accuracy of the data provided by the valuers for the development of the valuation to underlying information, challenging management where variances are identified;

Assessing methodology and benchmarking assumptions:

– We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged 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.

– We agreed 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;

Assessing transparency:

– We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

We have reviewed the data, assumptions and methodology involved in management's valuation of land and buildings and confirmed these were appropriate.

We identified an issue in relation to the Valuation exercise. As part of managements indexation exercise they had used projected 31 March 23 indices as known at December, not provisional 31 March 23 indices that were available in March prior to year-end. Management revised the applied indices, based on an updated report from the valuer, which is consistent with most other boards, this increased the value of buildings by a further 2.3m. We have therefore recorded this as a misstatement. See page 29 for further detail.

Audit risks and our audit approach

Fraud risk from expenditure recognition - completeness

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 against the Board's Core Revenue Resource Limit (RRL) is a key target, there is a risk that non-pay expenditure, may be manipulated in order to report that the breakeven position has been met.

The setting of a breakeven target can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred. We have based this on our planning inquires to date.

We consider this would be most likely to occur through understating accruals at the year end, for example to push back expenditure to 2023-24 to mitigate financial pressures.

Audit risks and our audit approach

Fraud risk from expenditure recognition - completeness

Significant audit risk

Our response

We performed the following procedures to address this risk:

- We evaluated the design and implementation of the controls in place for manual expenditure accruals;
- We inspected a sample of invoices of expenditure, in the period around 31 March 2023, to determine whether expenditure has been recognised in the correct accounting period;
- We selected a sample of year end accruals and inspected evidence of the actual amount paid (where possible) after year end in order to assess whether the accrual had been completely recorded;
- We inspected 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 agreed the value to supporting evidence; and
- We performed a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2022 and consider the impact on our assessment of the accruals at 31 March 2023. We also compared the items that were accrued at 31 March 2022 to those accrued at 31 March 2023 in order to assess whether any items of expenditure not accrued for as at 31 March 2023 had been done so appropriately.

Our findings

From our year on year comparison of accruals we did not identify any instances where further accruals should have been recorded. We therefore conclude that accruals have not been understated.

As part of our sample testing of accruals we did identify accruals which were overstated, which we have recorded as a misstatement. See page 28 for further details.

Audit risks and our audit approach

Management override of controls

Significant audit risk

The 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.

Our response

— Our audit methodology incorporated the risk of management override as a default significant risk. In line with our methodology, we evaluated the design and implementation and, where appropriate, tested the operating effectiveness of the controls in place for the approval of manual journals posted to the general ledger to ensure that they were appropriate;

— We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting revenue or expenditure recognition.

— We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.

— We reviewed the appropriateness of the accounting for significant transactions that were outside the Board's normal course of business, or were otherwise unusual.

— We assessed the controls in place for the identification of related party relationships and tested the completeness of the related parties identified. We verified that these have been appropriately disclosed within the financial statements.

Our findings

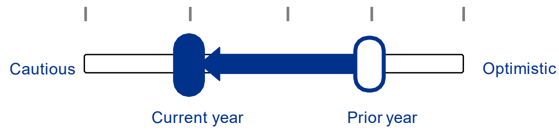
— We identified 20 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify any inappropriate entries.

— We evaluated accounting estimates and did not identify any indicators of management bias. See page 13 for further discussion.

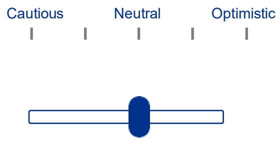
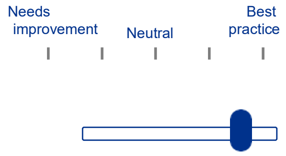
— We did not identify any significant unusual transactions.

Key accounting estimates – Overview

Our view of management judgement



Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions. Cautious means a smaller asset or bigger liability; optimistic is the reverse.

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Valuation of Land and Buildings		76.5	1.9		We have reviewed the data, assumptions and methodology involved in management's valuation of land and buildings and confirmed these were appropriate. We did identify an issue in relation to selection of appropriate indices and have raised a misstatement in relation to this. See page 8 for further details.

Other estimates

We have also reviewed the following non-significant estimates as part of our audit work

- Depreciation
- Accruals

No issues were identified from our testing.

Other matters

Annual report

We have read the contents of the Annual Report (including the Accountability Report, Directors Report, Performance Report and Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the Annual Accounting Manual. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Board's performance, business model and strategy.
- The parts of the Remuneration Report that are required to be audited were all found to be materially accurate
- The AGS is consistent with the financial statements and complies with relevant guidance; and
- The report of the Audit Committee included in the Annual Report includes the content expected to be disclosed as set out in the Annual Accounting Manual and was consistent with our knowledge of the work of the Committee during the year.

Consolidation schedules

As required by the Audit Code of Practice we are required to provide a statement on your consolidation schedule. We comply with this by checking that your summarisation schedule is consistent with your annual accounts. We have completed that work and found no matters to report.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Wider Scope

Appointed auditors are required to consider the areas defined in the Code of Audit Practice (2021) 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 of Audit Practice 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.

Commentary on arrangements

We have prepared our commentary on the Board's Wider Scope arrangements within this report.

- Financial Management – Page 16;
- Financial Sustainability – Page 18;
- Vision, Leadership and Governance – Page 20;
- Use of Resources to Improve Outcomes – Page 22;
- Climate Change – Page 24;
- Cyber Security– Page 25

Summary of findings

We have not identified any significant weaknesses in the Board's arrangements in these areas.

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;
• the capacity and skills of the Board's finance team

Findings and Conclusion

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

The Board met its key financial targets in year, delivering an underspend against revenue resource limit (£233k) and its capital resource limit (90k). The Board was set a savings target of £811k and achieved this with additional savings of 16k primarily through vacancy management.

The Board presents financial monitoring reports to all meetings of the Executive Management Team and the Board. Reports include a summary of the position, detail of key financial pressures, summary by directorate, delivery of the savings target and recommendations. The Board has faced significant cost pressures in year relating due to high levels of overtime required and an increase utilities costs, however it has continued to manage its position effectively.

We have evaluated the Board's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets. Whilst we did not identify any significant weaknesses in the Board's accounting and internal control systems during our audit, we have included in appendix 2 a number of recommendations to improve the control environment.

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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.

Findings and Conclusion (continued)

An effective internal audit service is an important element of a Board's overall governance arrangements. The Board's internal audit service is provided by RSM. We have reviewed internal audit reporting through the year to support our risk assessment work.

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

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 appropriateness of 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

•the 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.

Findings and Conclusion

The Board has prepared its draft financial plan for 23/24 and a three year financial plan to 2026. This is to be submitted to Scottish government in July 2023.

The financial plan for 23/24 is for a small overspend of £400k and this is dependent on the Board achieving its savings target of £787k. In line with previous years, a high proportion of the savings identified are nonrecurring. The Board highlights that it is becoming increasingly challenging to generate the same level of cash release savings in future years. Therefore, the Board is focusing on identifying improvements in operational efficiency, such as the introduction of a new Clinical Care Model, to achieve savings whilst still maintaining the service delivery.

The significant capital item for the Board in 2022/23 continues to be the Perimeter Security and Enhanced Internal Security Systems Project, which commenced in 2020/21, estimated at £8.7 million (excluding VAT). Further capital expenditure is expected in 2023/24 to cover projected spend, with project due to be completed in 2023/24.

As stated, the Board has developed its three year plan to 2026. The Board is planning on a balanced outturn for the years 24/25 and 25/26. This is dependent on the Board achieving savings of 722k and 953k respectively.

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.

Findings and Conclusion (continued)

The Board was also required to submit a three year workforce plan to Scottish Government in July 22. The plan clearly identifies the risks and challenges in relation to workforce in the coming years and outlines how the Board is taking action to mitigate these. Key actions will be the implementation of the new Clinical Model to boost efficiency and tog to prepare for the implementation of the Health and Care (Staffing) (Scotland) Act 2019 in 2024-25, with changes overseen by Workforce Governance Group.

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 need to realise the Boards priorities and long term sustainability of services to meet the needs of the citizens

• the governance arrangements are appropriate and operating .

•assess the level of involvement of the local communities, including seldom heard groups, and health inequalities in identifying and agreeing the Boards priorities.

•assess the evidence that demonstrates leaders are adaptive to the changing environment

•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

Findings and Conclusion

Governance arrangements at the Board are appropriate.

There was only one change in Governance in year with Director of Nursing replaced in March 2022.

Board and Committee meetings have continued to be held virtually rather than in person, to date, to comply the need for non-essential travel and physical distancing, and the preferred mechanism is now through MS Teams, in line with other NHS Boards.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

The Board continues to review its effectiveness and seeks to improve through a range of activities, including Board Development Sessions, and further training and development sessions are planned for the Board in 2023/24. The Board has reviewed its Governance structure, including Model Code of Conduct, and monitored progress against the Corporate Governance Improvement Action Plan. We have evidenced this review through audit committee and Board.

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.

Findings and Conclusion (continued)

The Board was also required to submit the Annual Operational Plan (AOP) 2022/23 (which replaced the Remobilisation Plan in place 21/22) to Scottish Government. We have reviewed the AOP which details the actions the Board planned to take in 22/23 to return to pre-pandemic working and deliver core services effectively. The new Clinical Care Model is a key element of this work. This is driven by the Clinical Model project team which meets weekly and the Clinical Model Short Life Working Group which meets monthly. Progress on workstreams are reported regularly to Committee and Board.

The Board continues to engage with the work being taken forward nationally through the Corporate Governance Steering Group, and Corporate Governance Programme Board on the NHS Scotland Blueprint for Good Governance.

The Board has continued to work on delivering its Improvement Action Plan, with progress reported at every second meeting of the Board. Good progress has been made against the workstreams. Version two of the Blueprint is in the process is being rolled out and the Board continues to received updates on potential impacts.

The Board is committed to equality, diversity and human rights and will ensure that arrangements are in place to support staff who have equality, diversity and human rights issues. The Equality Impact Assessment Screening Tool is completed by all policy authors as part of the submission process relating to the policy implementation governance processes. Equality is included as part of all Board paper reports.

The Board published its Equality Outcomes 2017-2021 report in April 2021. This summarises progress against the three equality outcomes set for 2017-2021 and plans for the period 2021-2025. Delivery of equality outcomes is monitored by the Person Centred Improvement Lead and scrutinised by the Person Centred Improvement Steering Group bi-annually. The Organisational Management Team prepare an annual progress report which is published on the Board's website in April of each year. Equality outcomes have been revised for the period 2021-2025; seven outcomes have been set. These are seen by the Board to be achievable and to create opportunities for tangible change. These outcomes will inform the new Clinical Care Model to ensure there is sufficient focus on enabling fairness and equality. Appropriate arrangements appear to be in place to oversee and report on delivery of the Board's seven equality outcomes.

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 been considered.
- the arrangements to evaluate service delivery and quality and whether the user needs and views are included in any such evaluation.

Findings and Conclusion

The Board has appropriate performance management processes in place that support the use of resources to improve outcomes.

The Board has developed a performance management framework which comprises quarterly updates on key performance indicators (KPIs), an annual overview of performance and year-on-year comparison each June. Under the new management structure, strategic performance is managed by the Corporate Management Team and the Strategic Planning and Performance Group, and operational performance is monitored through the Organisational Management Team and the Hospital Management Team.

The national standards directly relevant to the Board are: Psychological Therapies Waiting Times and Sickness Absence. In addition, the Board identified 12 local key performance indicators (KPIs) in 2022/23.

Of the 12 local KPIs, the Board remained on track throughout 2022/23 to meet targets for six KPIs.

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.

Findings and Conclusion (continued)

The five KPIs that were predominantly off the target (>5%) during 2022/23 are as follows;

- Patients will have a healthier BMI
- Patients will be offered an annual physical health review
- Sickness absence rate
- Patients have their care and treatment plans reviewed at 6 monthly intervals
- Attendance by all clinical staff at case reviews (performance varies by profession)

We note that in all five areas performance has worsened compared to 21/22. Through reporting the Board is aware of these challenges and both Operational and Workforce plans detail actions address these issues, in particular Staff sickness absence.

The Board also requested internal audit to review the KPI reporting in year. Overall RSM provided reasonable assurance however they noted several actions to improve consistency of reporting.

We note that the key action for the Board to improve delivery of services is the introduction of the new Clinical Care Model. This is driven by the Clinical Model project team which meets weekly and the Clinical Model Short Life Working Group which meets monthly. Progress on workstreams are reported regularly to Committee and Board. The Board plans to complete this transition by 23/24.

The Independent Review of Mental Health Services recommended a high secure services for women should be opened in the State Hospital and a new NHS Board should be created for forensic mental health services. The Board continues to work with key stakeholders to develop possible options for the Board's response to these recommendations. However, there have not been any significant development in the national position following the Independent Review into the Delivery of Forensic Mental Health Services.

The Board is participating effectively in the NFI process by following up matches.

Wider Scope arrangements – National Risk Assessment

Climate Change

Background

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. 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.

There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. A number of public bodies have declared a climate emergency and set their own net zero targets, some of which are earlier than Scotland's national targets. All public bodies will need to reduce their direct and indirect emissions, and should have plans to do so. Many bodies will also have a role in reducing emissions in wider society, and in supporting activity to adapt to the current and potential future impact of climate change. For example, working with the private sector and communities to help drive forward the required changes in almost all aspects of public and private life, from transport and housing to business support.

Public audit has an important and clear role to play in:

- helping drive change and improvement in this uncertain and evolving area of work
- supporting public accountability and scrutinising performance
- helping identify and share good practice.

Findings and Conclusion

The Board is required to report annually to Scottish Government on key climate change goals. We have obtained previous year's reports and confirmed that the 22/23 report is planned to be submitted later this year. We have not identified any issues in the arrangements around monitoring and reporting on net zero.

The Hospital has developed a Sustainability Action Plan and a Carbon Management Programme to ensure that sustainability is key element of decision making. The Board currently operates a biomass boiler which has made significant savings in both CO_2 emissions and energy consumption and continues to investigate the viability of renewable energy options, which have the potential to make a strong contribution towards increasing energy efficiency.

Within procurement, the Board looks comply with Sustainable Procurement Duty on regulated contract with the aim of improving the environmental, social and economic wellbeing of the local areas.

Wider Scope arrangements – National Risk Assessment

Cyber Security

Background

There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

2022-23 Audit Requirements:

For 2022/23 audits, auditors are advised to consider risks related to cyber security at audited bodies. The revised ISA (UK) 315 includes enhanced requirements for auditors to understand a body's use of IT in its business, the related risks and the system of internal control addressing such risks. The Auditor General and Accounts Commission consider that meeting these additional requirements is likely to be sufficient consideration of cyber security in 2022/23. Audit Scotland continues to monitor cyber security arrangements at a national and local level on behalf of the Auditor General and Accounts Commission

Reporting

We have reviewed the arrangements in place at the Board around Cyber Security and have not identified any issues.

Cyber Security updates are presented at each audit committee by the Director of Finance and eHealth. This includes any updates that have been circulated nationally by Scottish Government to ensure the Board is aware of any recent threats or action required.

No Cyber Security incidents were reported in 22/23.

Appendices

Contents	Page

Mandatory communications

Type		Statement
Our draft management representation letter		We have requested specific representations in relation to Assets Under Construction and Recoverability of debt. These are in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2023.
Adjusted audit differences		There were 2 adjusted audit differences with an impact of £394k on the reported surplus. See page 28.
Unadjusted audit differences		The aggregated impact on the reported surplus of unadjusted audit differences would be £186k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor’s report, individually or in aggregate. See page 29.
Related parties		There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit [and Risk] Committee		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts		No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements was identified during the audit.

Mandatory communications

Type		Statement
Significant difficulties		No significant difficulties were encountered during the audit.
Modifications to auditor's report		None.
Disagreements with management or scope limitations		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information		No material inconsistencies were identified relating to other information in the annual report, Strategic and Directors' reports. The Annual report is fair, balanced and comprehensive, and complies with the Annual Reporting Manual.
Breaches of independence		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices		Over the course of our audit, we have evaluated the appropriateness of the Board's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management		The were no significant matters arising from the audit that were discussed, or subject to correspondence, with management.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.
Provide a statement to AS on your consolidation schedule		We will issue our report to Audit Scotland following the signing of the annual report and accounts.

Appendix two

Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
❶	**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸	**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	❷	**Journals segregation of duties** From inquiry of management and journals walkthrough we identified that users of the General ledger have the ability to post and approve their own journals within their own authorisation limits. This means there is no segregation of duties. Whilst senior members of the finance team may perform review of journals, this is not fully documented.	Going forward management will formally sign-off a monthly review of journals. Director of Finance & eHealth July 2023
2	❷	**Management review of accruals.** From inquiry of management and accruals walkthrough we have established that accruals are not reviewed before being posted to the ledger. There is a risk that incorrect or inappropriate accruals are posted to the ledger, leading to an overstatement of expenditure. We identified several accruals within our testing that were overstated.	Going forward management will formally sign-off a quarterly review of accruals. Director of Finance & eHealth July 2023
3	❷	**Valuation of Land and Buildings** Auditing standards requires us to identify a control over an area of significant risk. For Valuation of land and Buildings we have identified that Robin McNaught (DoF) does review the BCIS provided by the Valuer. However, as he is not RICS qualified we cannot conclude that he has the necessary qualifications to challenge these and we have therefore raised a control deficiency.	Noted but no action required Director of Finance & eHealth June 2023

Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
❶	**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸	**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
4	❶	**Assets under Construction** From our audit work over fixed assets we established that the £10.2m balance within assets under construction is recorded as a single asset entry – the perimeter fence upgrade. However, this project entails work across a number of different security elements, some of which are new and some which will replace existing assets on the fixed asset register. The additions encompass many hundreds of individual entries and it will require work to allocate to individual assets on completion. When this project is complete, it is important that these different elements are accounted for correctly including: -Recording replaced assets in the asset register as disposed -Allocating indirect project costs (incl. SATs and FATs) to individual assets - Splitting out individual assets and assigning appropriate asset lives -Considering the need for any impairment or accelerated deprecation to reflect the extended period of the project.	This is a matter for implementation in 2023/24, of which management are already aware and will address on project completion. Director of Finance & eHealth, Date t.b.c. (subject to project completion)

Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
❶	**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸	**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
5	❷	**Receivables and SFR30** During our testing of receivables we identified balances with other NHS Boards where the Board had agreed the gross debt through the SFR30 exercise but had been partly provided for the in the ledger. We recommend management follow the annual accounts guidance and inform Scottish Government in all cases where they are providing for NHS debt and that the provision is consistently applied.	Notification has been made in previous years and this will continue. Director of Finance & eHealth July 2023
6	❷	**Accounts Preparation** The Board utilises a service organisation, National Services Scotland (NSS), to help prepare sections of the accounts template and accounts. In the course of the audit we identified areas where management had limited knowledge and understanding of some areas of the accounts that NSS had prepared. It is managements responsibility to respond to audit requests queries and they should be able to explain all balances and disclosures within the accounts. It is recommended management fully review the draft accounts before submission to audit to ensure a clear understanding of all balances. This may form part of enhanced in-year review or as a year end process.	The TSH finance team had an absence in a key role within the team around the March 2023 year-end which impacted role responsibilities. Recruitment currently underway to fill the pending vacancy which will address this. Director of Finance & eHealth & Deputy Director of Finance Implement for application to September 2023 (mid-year) and March 2024 (year-end)

Appendix two

Recommendations raised and followed up (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
2	2	0

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2023)
1	❸	The Board receives a financial outturn report for the year every April which summarises the year end position against RRL, CRL and the savings target. This is based on the unaudited position. Whilst the Board receives an update of any audit adjustments made when receiving the audited annual report and accounts, the auditor could not see any evidence that the Board received an update on the audited position against the savings target. The Board should receive an updated summary of the year end position against RRL, CRL and savings target following the completion of the audit.	Reporting of final savings outturn will be included in Board updates going forward post year-end. **Responsible individual:** Finance and eHealth Director **Due date**: June 2022	Implemented June 2022 and will be applied again in June 2023. Director of Finance & eHealth.
2	❸	Whilst regular backups of key systems are taken, these are stored on site and not subject to regular testing. Management should review their backup policy to ensure these are appropriately stored in an off site location and are subject to frequent testing.	Back-up storage off-site options will be reviewed and updated, with testing linked thereto. **Responsible individual**: Head of eHealth **Due date:** September 2022	Implemented – storage and testing now underway. Head of eHealth.

Appendix three

Audit Differences

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £41.2K are shown below:

Unadjusted audit differences (£'000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	Dr Accruals		344	This was an overstatement of accruals where the accrual did not relate to expenditure in year.
	Cr Operating expenditure	(344)		
2	Dr Fixed Asset Additions		444	Assets were identified within Assets under construction which were in use and should have been brought into additions and depreciated. Where the replaced asset was still on the fixed asset register these should also be removed.
	Cr Assets under construction		(444)	
	Dr Depreciation expense	70		
	Cr Fixed Asset		(70)	
	Dr Accumulated Depreciation		356	
	Cr Fixed Assets Gross cost		(444)	
	Dr Accelerated depreciation	88		
Total		(£186)	£186	

Appendix three

Audit Differences (continued)

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000s)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Buildings Cost Cr Accumulated Depreciation Dr Reversal of Impairment Cr Impairment Cr Revaluation reserve	 (432)	2502 (690) 432 (1,812)	This is the adjustment to reflect the additional indexation uplift to valuation of Land and Buildings when adopting the updated BCIS indices and an adjustment to reflect the increase in cost and accumulated depreciation to bring the ledger in line with the fixed asset register
2	Dr Accrued Income Cr Bad Debt Provision Cr Income Dr Bad Debt expense	 (226) 264	226 (264)	Management had under-provided for aged debt with two NHS Boards. They had also provided for current year debt as a credit balance against Accrued Income and a debit balance against Income. The correct treatment would be to credit receivables and debit bad debt expense. The credit balance in accrued income has ben reversed and the additional provision for bad debt has been posted.
Total		(£394)	£394	

We also identified the following disclosures which required adjustment within the Remuneration report:

- Total remuneration bandings for three directors
- Fair Pay disclosure, including Median, 25th and 75th percentile calculations
- The total payment of the single Exit Package in year

Audit Differences

Intra-group error reporting

Further to the misstatements identified on page 28 we are required to report any identified errors in the reporting of intra-group balances with other NHS entities exceeding £200,000 as part of our reporting on the Consolidation Schedules to Audit Scotland. We have set out below intra-group errors identified as part of our procedures:

We have not identified any errors from the SFR30 exercise. We noted that while management had agreed the gross balances with the other NHS Boards, they had provided for Bad Debt with several Boards. We concluded that this treatment, and the reporting to Scottish Government, was appropriate.

Appendix four

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 Committee members

Assessment of our objectivity and independence as auditor of The State Hospitals Board for Scotland

Professional ethical standards require us to provide to you with 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 partners, 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

Summary of non-audit services

We have not provided any non-audit services in year.

Confirmation of Independence (continued)

We have considered the audit fees charged by Audit Scotland to the Board for professional services, including those provided by us during the reporting period. Total audit fees charged by Audit Scotland were £60,550 including VAT.

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

Appendix five

KPMG's Audit quality framework

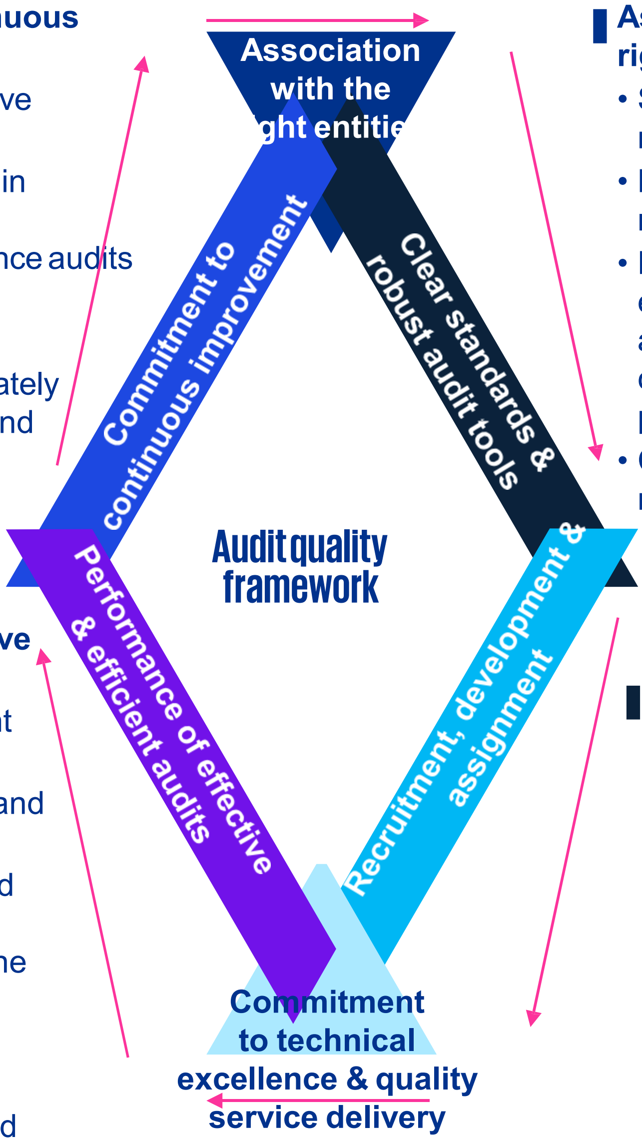
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

- To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.
- Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Appendix five (continued)

Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manua ls
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

ISA (UK) 315 Revised: Overview

Summary

ISA (UK) 315 Identifying and assessing the risks of material misstatement incorporates significant changes from the previous version of the ISA.

These have been introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA is effective for periods commencing on or after **15 December 2021**.

The revised standard expands on concepts in the existing standards but also introduces new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

Why have these revisions been made?

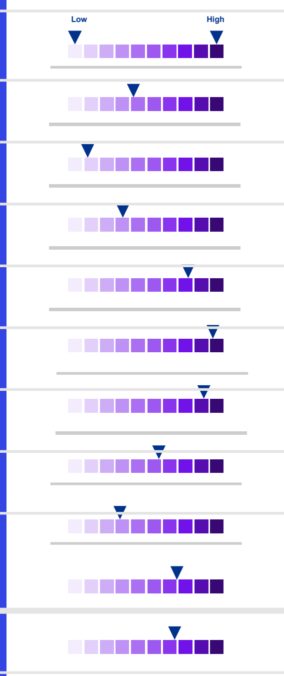
With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes are aimed at (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

What did this mean for our audit?

To meet the requirements of the new standard, auditors have been required to spend an increased amount of time across the risk assessment process, including more detailed consideration of the IT environment.

Effect on audit effort
Increased professional scepticism
Understanding the entity
Understanding internal control
IT systems and communication
Control activities
Identifying and assessing risks
Control risk
Stand-back assessment and documentation
TOTAL EFFORT



Appendix six

ISA (UK) 240 Revised: Summary of key changes

Summary and background

- ISA (UK) 240 The auditor’s responsibilities relating to fraud in an audit of financial statements includes revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. The revised ISA (UK) is effective for periods commencing on or after **15 December 2021**. Unlike ISA (UK) 315 which mirrors updates in the international ISA, the updated UK fraud standard is not based on international changes by the IAASB.
- The impact of the revisions to ISA (UK) 240 is less extensive compared to ISA (UK) 315, but nevertheless resulted in changes to our audit approach. The table to the right summarises the main changes and our final assessment of their impact.

What did this mean for our audit?

- The changes introduced new requirements which increased audit effort and therefore the audit fee. The additional work is largely the result of investing more time identifying and assessing the risk of fraud during risk assessment and involving specialists to aid with both risk identification and the auditor’s response to risk.

Area	Effect on audit effort	Summary of changes and impact
Risk assessment procedures and related activities		1. Increased focus on applying professional scepticism – the key areas affected are: – the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, – remaining alert for indications of inauthenticity in documents and records, and – investigating inconsistent or implausible responses to inquiries performed. 2. Our inquiries with individuals at the entity were expanded to include, amongst others, those who deal with allegations of fraud 3. We determined whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge		We complied with enhanced requirements for internal discussions among the audit team to identify and assess the risk of fraud in the audit, including a requirement to determine the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.
Communications with management / TCWG		We have complied with new requirements for communicating matters related to fraud with management and those charged with governance, in addition to the reporting in our audit reports.

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