National Waiting Times Centre Board (also known as the NHS Golden Jubilee)

FINAL

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

2 July 2024

Key contacts

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Contents	Page

Introduction

To the Audit Committee of National Waiting Times Centre Board

We are pleased to have the opportunity to meet with you on 18 June 2024 to discuss the results of our audit of the consolidated financial statements of National Waiting Times Centre Board (the 'Board'), as at and for the year ended 31 March 2024.

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 14 March 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is complete. There have been no significant changes to our audit plan and strategy, however we note a change to our significant risk for hotel valuation on page 9.

We are intending to issue an unmodified Auditor's Report on the financial statements and have not identified any significant weaknesses in relation to our Wider Scope work.

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,

Rashpal Khangura

2 July 2024

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 consolidated financial statements of National Waiting Times Centre Board (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 2024. 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 National Waiting Times Centre Board and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries").This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy.

(under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Status of our audit

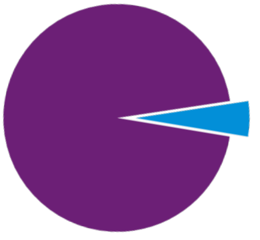
Our audit is now complete.

Materiality Group and Board

Total gross expenditure

£246m

(2022/23: £210.5m)



Group materiality

£4.5m

2% of gross expenditure

(2022/23: £4m, 1.9% of expenditure)

Board materiality

£4.4m

2% of gross expenditure

(2022/23: £3.9m, 1.85% of expenditure**)**

Group: £225k
Board: £220k

Misstatements reported to the Audit and Risk Committee (2022/23: £200k Group / £195k Board)

Group: £2.92m
Board: £2.86m

Procedure designed to detect individual errors at this level (2022/23: £2.6m Group / £2.53m Board

Group: £4.5m
Board: £4.4m

Materiality for the financial statements as a whole (2022/23: £4m Group / £3.9m Board)

Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of gross expenditure which we consider to be appropriate as it reflects the scale of the Board's services and we consider this most clearly reflects the interests of users of the Board'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 £2.92m. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons.

Group materiality vs other metrics

	2023/24	**2022/23**
Total assets	**1.6%**	**1.6%**

Our audit findings

Significant audit risks	Risk Change	Findings (Pages 8-11)
Valuation of Land & Buildings	No Change	We have reviewed the data, assumptions and methodology involved in managements' valuation of land and buildings. We have not identified any issues.
Fraud risk from expenditure recognition	No Change	We identified a number of misstatements relating to accruals that are documented in appendix three. We also identified recommendations relating to accruals that can be seen in appendix two. We did not identify any other significant issues in relation to fraud risk from expenditure recognition.
Management override of controls	No Change	We have not identified any instances of management override of controls in our work.
Key accounting estimates	**Judgement**	**Findings (Page 12)**
Valuation of Land & Buildings	Neutral	We have reviewed the data, assumptions and methodology involved in managements' valuation of land and buildings. We have not identified any issues.

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 (Pages 15-19)

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.

Consolidation schedules (Page 14)

We intend to issue an unqualified Group Audit Assurance Certificate to Audit Scotland regarding the Consolidation schedules submission, made through the submission of the summarisation schedules to Scottish Government.

Our audit findings

Uncorrected Audit Misstatements		Page 36
Understatement/ (overstatement)	**£m**	**%**
Revenues	-	-
Expenditure	(2.36)	1.0
Total assets	(0.53)	0.2
Total liabilities	(2.89)	6.9
Reserves	-	-

Corrected Audit Misstatements		Pages 37-38
Understatement/ (overstatement)	**£m**	**%**
Revenues	-	-
Expenditure	(1.75)	0.7
Total assets	(7.35)	2.6
Total liabilities	(1.75)	4.2
Reserves	(7.35)	3.1

Number of Control deficiencies	Pages 23-35
Significant control deficiencies	-
Other control deficiencies (including prior year outstanding)	10
Prior year control deficiencies remediated	9

Audit risks and our audit approach

Cautious Neutral Optimistic

Valuation of land and buildings

Significant audit risk

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

Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.

The value of the Board's land and buildings at 31 March 2024 is £135.2m, of which £124.9m was valued as specialised assets at depreciated replacement cost.

The Board undertook a full revaluation of its land and buildings in year as it does annually.

Our response

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

Control design:

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;

Assessing the valuer's credentials:

- We critically assessed the independence, objectivity and expertise of Avison Young, the valuers used in developing the valuation of the Board's properties at 31 March 2024;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Government Financial Reporting Manual (FReM);

Input assessment:

- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances were 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 performed inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the FReM;

(Continued)

Audit risks and our audit approach

Cautious Neutral Optimistic

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The Board undertook a full revaluation of its land and buildings in year as it does annually.

Our response (continued)

- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the FReM;
- We reviewed the valuation report prepared by the Board's valuers to confirm the appropriateness of the methodology utilised; and

Assessing transparency:

- Disclosures: 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 de-scoped the Hotel from this significant risk given it is valued at market value, the valuation approach has not changed since prior year and the valuation has not moved materially since the prior year.

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

We have not identified any issues in relation to valuation of land and buildings.

Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of the valuation of land and buildings risk we have not been able to identify a control that meets the strict criteria of a management review control, however we note the Board are satisfied with the controls that are currently in place.

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 savings target can create an incentive/pressure for management to understate the level of non-pay expenditure compared to that which has been incurred.

We consider this would be most likely to occur through understating accruals at the year end, for example to push back expenditure to 2024-25 to mitigate financial pressures.

Our response

We performed the following procedures designed to specifically address the significant risk:

- We evaluated the design and implementation of the controls in place for manual expenditure accruals;
- We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accrual had been completely recorded;
- We inspected a sample of expenditure payments, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period;
- 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 the value can be agreed 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 2023 and considered the impact on our assessment of the accruals at 31 March 2024. We also compared the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.

Our findings

We identified a number of misstatements relating to accruals that are documented in appendix three. We also identified recommendations relating to accruals that can be seen in appendix two. We did not identify any other significant issues in relation to fraud risk from expenditure recognition.

Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of the accruals process we have not been able to identify a control that meets the strict criteria of a management review control, however we note the Board are satisfied with the controls that are currently in place.

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

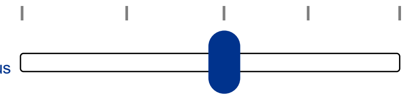
- Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we evaluated the design and implementation and, where appropriate, tested the operating effectiveness of the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate;
- We analysed all journals through the year and focused our testing on those with a higher risk;
- 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 are outside the Board's normal course of business, or are otherwise unusual; and
- 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

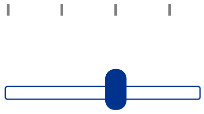
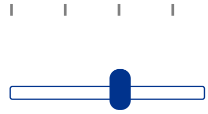
- We identified 38 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify any inappropriate entries. We raised a recommendation in the prior year in relation to journals segregation of duties on page 29. We have identified findings over the paper based journal controls in our testing (signed paper forms not available for 2 journals along with some instances where the preparer, authoriser or date didn't agree to the system), however the Board are implementing a new process for 2024/25 onwards therefore we have not raised a new recommendation this year. We will test the new process as part of our audit next year.
- We evaluated accounting estimates and did not identify any indicators of management bias. See page 12 for further discussion.
- We did not identify any significant unusual transactions.
- We did not identify any issues from our related parties testing.

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
Assets Valuation of land & buildings	Cautious Neutral Optimistic 	135.2	8.5	Needs improvement Neutral Best practice 	Assumptions were found to be neutral.

Other estimates

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

- Depreciation
- Clinical and Medical provision and Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) provision

Group involvement – significant component audits

Involvement in group components

The Group financial statements are made up of the following components:

- National Waiting Times Centre Board
- National Waiting Times Centre Board Endowment Fund

As communicated in our audit plan we determined that the parent Board was the only significant component. We have performed risk assessment procedures over the remaining components in order to confirm that there were not material balances within the other entities that could cause a material error and did not identify any exceptions.

We did not identify any errors as a result of the procedures set out above.

Other significant 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 subject to updates as outlined on page 4; and
- The report of the Audit and Risk 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.

Audit Fees

The fee for the audit was £92,110 in 2023/24 and £101,020 in 2022/23 (Source: Audit Scotland, the prior year fee includes £14,160 overruns). We are in the process of agreeing additional fees with the Board for the additional time taken in the audit this year.

We have not completed any non-audit work at the Board during the year.

National Fraud Initiative

We completed our work on the NFI return in February 2024 and we rated the Board's engagement with the NFI exercise as green overall which is the highest rating possible. There was a lack of initial progress however there was regular reporting and significant further progress made. We are satisfied that arrangements have improved during the course of the year and this should result in better engagement from the beginning of the year in future periods.

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 brought in from 2022/23 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 17;
- Vision, Leadership and Governance – Page 18; and
- Use of Resources to Improve Outcomes – Page 19

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; and
- the capacity and skills of the Board's finance team.

Findings and Conclusion

There are appropriate arrangements in place to ensure an effective system of internal control as financial rules are set out in the Board's Standing Orders (we have however raised a recommendation regarding this document being reviewed and updated) and Standing Financial Instructions.

The budget control system is effective, budget holders have access to monthly reports in order to appropriately monitor budget information.

The latest monthly finance report goes to each Board meeting and we note that there is adequate budget monitoring and reporting to monitor against financial targets.

Annually, the Board prepares a financial plan that is reviewed internally before being shared with Scottish Government. This highlights the savings plans for the year.

The Board's finance team have the appropriate capacity and skills in relation to Financial Management, based on our evidence from the review of arrangements as part of our audit work.

The financial plan developed for 2023/24 included total savings of £6.67m. The Board was only able to deliver £1.8m of these recurrently and relied on non-recurrent savings of £4.9m. We note the Board has identified new arrangements for identification and delivering savings in 2024/25.

We have not identified any significant risks or significant weaknesses relating to financial management.

Wider Scope arrangements

Financial sustainability

Scope

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

Areas of Focus

• the arrangements in place to balance any short-term financial challenges and cashflow requirements and longer term financial sustainability

• the arrangements to ensure any recovery plan is fully integrated to deliver the Boards priorities.

• the arrangements put in place to address any identified funding gaps / savings plans and organisational restructures, including clarity of the impact on services to the public

• the degree to which medium to longer term capital financial plans include clear links to how capital investment will be used to deliver organisational priorities, including revenue consequences of the capital expenditure.

Findings and Conclusion

Our audit plan noted that we had identified one risk regarding financial sustainability. The Board have now finalised their 3 year financial plan. We have reviewed the financial plan and arrangements in place to ensure any short term financial challenges and longer term financial sustainability objectives are achieved. We have reviewed the extent to which any savings plans have been developed and the Board arrangements in place to deliver these.

We understand that the Board are in the stages of developing a savings programme, which is a high level plan based on key themes and currently has £9.6m savings schemes in the pipeline for 2024/25 out of the total £9.9m savings plan.

Financial recovery is monitored as part of the monthly budget holder reports and monthly finance reports that go to the Finance and Performance Committee (FPC) and Board meetings.

Capital plans for 2024/25 are outlined in the 3 year financial plan, and as at the date of this plan the value of the capital plan was awaiting confirmation from Scottish Government.

We have not identified any further significant risks however the savings plan represents a significant challenge, and despite there being schemes planned there is a potential risk that the savings will not be achieved due to the current pressures faced by the Board. We also note the Board has previously struggled to deliver recurrent savings. The Board needs to ensure its performance to deliver these recurrent savings are critically appraised as part of delivery of savings this year ensuring any changes and modifications to arrangements are made to ensure non-delivery is addressed.

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

The Board Strategy is currently for 2019-2022. We understand that this is currently under review and was delayed due to the pandemic pressures, however this is now due to be launched in August 2024 for 2024-2029. We raised a recommendation in the prior year. The Board have an Annual Delivery Plan (ADP) in place for 2023/24 that set out the priorities and delivery objectives for the year.

Operational performance of services is reported in the Integrated Performance Reports presented at each Board meeting, under the headings Clinical Governance, Staff Governance and Finance, Performance and Planning. KPI's are monitored and reviewed as a result of this.

The Board have a risk management policy in place, and through our review the strategic risk register is appropriately monitored and reviewed.

We have not identified any significant risks or significant weaknesses relating to vision, leadership and governance.

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

We understand that there have been no significant investment decisions or business cases made in the current financial year.

Integrated Performance Reports are produced and reported to Board, which shows that performance is appropriately reported and monitored.

We have seen that activity comparisons take place, to benchmark services against each other and against previous years.

The Board also utilise external data to perform external benchmarking, using data that comes from an NHS Scotland system to allow comparison against other NHS Scotland Boards.

The Board Strategy is due to be launched in August 2024 for 2024-2029. From our review of the Board Strategy Workshop presentations, the strategy should translate into measurable milestones and we will review in future years how the Board has embedded this.

We have not identified any significant risks or significant weaknesses relating to use of resources to improve outcomes.

Appendices

Contents

Mandatory communications

Type		Statement
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	OK	Appendix 3 identifies 4 adjusted audit differences.
Unadjusted audit differences	OK	The aggregated impact on the reported surplus of unadjusted audit differences would be £2,361k. 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 appendix 3.
Related parties	OK	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	OK	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	OK	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	OK	No actual or suspected fraud involving group 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	OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report	OK	None.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	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	OK	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	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	OK	The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Provide a statement to AS on your consolidation schedule	OK	We will issue our report to Audit Scotland following the signing of the annual report and accounts.

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	❸	**IT account termination** We noted as part of our understanding of the IT environment that leavers access to the ledger system is not consistently removed on a timely basis. **Risk** There is a risk of inappropriate access if individuals are potentially able to access the Boards financial reporting system once they have ceased employment at the Board. **Recommendation** The Board should ensure that there are appropriate processes and procedures in place for IT access being removed on a timely basis for leavers.	The current process includes a monthly report of all leavers that is shared with E-Health for processing. This will be reviewed and refreshed for 2024/25 and the relevant information will be shared with finance and IT to ensure all leavers are processed on a regular basis to ensure all access rights are removed within 2 weeks of the receipt of this report. **Responsible Officer(s):** Laura Smith and Graham Stewart **Completion Date:** 30th July 2024

Recommendations raised and followed up

<table>
<tr><th>#</th><th>Risk</th><th>Issue, Impact and Recommendation</th><th>Management Response / Officer / Due Date</th></tr>
<tr><td>2</td><td>❸</td><td>Bank reconciliation preparation
Through our review of the design and implementation of bank reconciliations, the April 2023 reconciliation was not prepared or reviewed until mid-June 2023.
Risk
There is a risk that reconciling items are not identified, investigated and resolved in a timely manner.
Recommendation
We recommend that bank reconciliations are prepared and reviewed within two weeks of the reconciliation date.</td><td>Following recruitment to key posts within financial accounting there is now a revised process in place to ensure bank reconciliations are reviewed and completed within 2 weeks of the reconciliation date. This revised process will be reviewed by the Interim Director of Finance as part of the month 3 timetable.

Responsible Officer(s): Graham Stewart
Completion Date: 31st July 2024</td></tr>
<tr><td>3</td><td>❷</td><td>Invoice authorisation
As part of our walkthrough over expenditure transactions that do not have a related purchase order raised, we identified that an invoice was authorised for payment that was above that individuals authorisation limits.
Risk
There is a risk that inappropriate expenditure is being authorised.
Recommendation
We recommend that appropriate processes and procedures are revisited or enforced to reduce the likelihood of this occurring again in the future.</td><td>The implementation of electronic PECOS ordering (from 17th June 2024) will ensure that all authorised approvals will be part of the system's authorisation process where individuals will only be able to approve orders within their delegated limits of authority. This is maintained by finance and PECOS will be reviewed and updated on a regular basis for new authorisers and leavers will be removed from the system as part of the leaver's process.

Responsible Officer(s): Graham Stewart
Completion Date: 30th June 2024</td></tr>
</table>

Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
4	❷	**Recurrent savings** We identified through our wider scope work that the savings plan represents a significant challenge, and despite there being schemes planned there is a potential risk that the savings will not be achieved due to the current pressures faced by the Board. We also note the Board has previously struggled to deliver recurrent savings. **Risk** There is a potential risk that the savings will not be achieved due to the current pressures faced by the Board. **Recommendation** The Board needs to ensure its performance to deliver these recurrent savings are critically appraised as part of delivery of savings this year ensuring any changes and modifications to arrangements are made to ensure non-delivery is addressed.	Implementation of 'Achieving the Balance' ensures full review and challenge as part of the project management process built into the review meetings. Each SRO of each workstream is tasked with updating the project management documents as part of the balance programme updates with strategic management team. This process is now in place with progress against targets and trajectories reviewed in each progress meeting. **Responsible Officer(s):** Graham Stewart and Carolynne O'Connor **Completion Date:** 30th June 2024
5	❸	**Standing orders** We identified through our wider scope work that the Standing Orders have not been updated since February 2020, however the document mentions an annual review. **Risk** There is a risk that the document is out of date and not fit for purpose. **Recommendation** The Board should ensure the standing orders are reviewed regularly to ensure these are kept up to date.	The update to the Standing orders is planned for review following the recent update to the Standing Financial Instructions. These will be reviewed and updated where relevant by the Director of Finance. **Responsible Officer(s):** Graham Stewart **Completion Date:** 30th September 2024

Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
6	2	**Accruals** We have identified through our testing to date that there are a number of errors identified over accruals. **Risk** There is a risk that inappropriate transactions are accounted for. **Recommendation** We note that the Board has implemented a new review process for accruals in 2023/24, however given that errors have been identified again this year, the Board should consider whether it has adequate processes in place for ensuring that accruals are posted appropriately and that historic accruals are still required.	A root cause analysis will be undertaken by the finance team as a priority to identify the key issues and risks. From this analysis a new process will be implemented that will ensure that the finance team will undertake a regular review of all accruals undertaken, with the Associate Director of Finance and Governance providing scrutiny of all balances on the balance sheet. **Responsible Officer(s):** Graham Stewart **Completion Date:** 30th September 2024

KPMG

Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
7	❸	**Identification of related party transactions** Auditing standards require us to obtain an understanding of related party processes and controls that: • identify all related parties, relationships and transactions • authorise and approve significant related party transactions and arrangements; and • account for and disclose all related party relationships and transactions in the financial statements. We are satisfied management have a process in place to identify related parties and related party transactions retrospectively through receipt of declarations of interest (DoI) from all members of the Board, and then an exercise is carried out where by finance search all accounts payable and accounts receivable ledgers to identify transactions with said related parties at the period end. The process and control in place to collate and ensure receipt of DoI's from individuals is a proportionate control to have in place. However, management does not carry out a completeness check which verifies all interests have been declared. **Recommendation** We recommend management should search all Board members (including close family and dependents) on Companies House at the year end to ensure completeness of the declarations made.	We will review our processes to ensure completeness of related party disclosures and update as required. **Responsible Officer(s):** Associate Director of Finance – Governance and Financial Accounting **Completion Date:** 31st March 2025

Recommendations raised and followed up

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

Total number of recommendations	Number of recommendations implemented or concluded	Number partially implemented or outstanding
12	9	3

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
1	2	**Accounts preparation - Issue** As per the year end timetable, we were anticipating receiving the financial statements on 2 May 23. We did not receive a version of the financial statements that mapped to a trial balance and full transaction list until 17 May 23. We understand that part of this delay was due to issues with the template provided to the Board by Scottish Government. **Risk** There is a risk that the deadline for submitting signed annual report and accounts is not met due to delays in receiving information. **Recommendation** We recommend that management revisit its accounts preparation plan in advance for 2023/24 to ensure arrangements are updated, including revising timelines (if required) to ensure its accounts preparation plan is appropriate. We recommend this is completed in-conjunction with reviewing external audit working paper requirements therefore enabling the audit to start on time.	**Accepted** While there was an issue with the national template we acknowledge that key dates within the planning timeline presented to Audit and Risk Committee were not met. A number of factors contributed to KPMG receiving the financial information late. However, it is accepted that improvements in planning, processes, training and leadership are required for the preparation of the 2023/24 statements. To achieve this, KPMG and Finance Management will have a debrief session to identify and document the key issues. Finance Team sessions are already being planned by the Director of Finance / Depute Director of Finance with the full Finance Team to ensure the lessons learned and support required is in place for 2023/24 to address these key issues identified. **Responsible Officer(s): Director of Finance / Depute Director of Finance** **Completion Date: September 2023**	**Implemented**

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
2	❷	**Journals segregation of duties - Issue** From inquiry of management and our 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. **Risk** There is a risk that there is no segregation of duties. Whilst senior members of the finance team may perform review of journals, this is not fully documented. **Recommendation** We recommend that management implement a fully documented review of any journals posted and approved by the same user.	**Accepted** The national ledger system which is used by all NHS Boards in Scotland does allow users to post and approve their own journals within respective authorisation limits. While this is not routine practice (with a system warning generated) it is accepted that this is possible. No weaknesses were identified and reviews of journals are carried out as current practice. However, a documented process will be put in place to ensure that the segregation of duties being posting / authorisation is formally communicated. **Responsible Officer(s): Depute Director of Finance** **Completion Date: July 2023**	**Concluded** We note that the Board are satisfied with the controls that are currently in place, however given that the national ledger system does allow users to post and approve their own journals we are not able to conclude that the design and implementation is effective. We have concluded on this recommendation and will note this on our management override of controls significant risk slide in future years, rather than raising the recommendation each year.
3	❷	**Impairment review - Issue** There is no documented impairment review completed by management with estates involvement. **Risk** There is a risk that property, plant and equipment is overstated if there are impairment indicators that have not been identified and reviewed. **Recommendation** We recommend that management complete an annual impairment review with estates involvement, that is formally signed off.	**Accepted** An impairment review will be undertaken for 2023/24 with appropriate input from other service functions within NHS Golden Jubilee. **Responsible Officer(s): Assistant Director of Finance-Governance and Financial Accounting** **Completion Date: by March 2024**	**Implemented**

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
4	❸	**Asset verification - Issue** There has not been an asset verification exercise completed by management in 2022/23 **Risk** There is a risk that property, plant and equipment is overstated if there are assets on the asset register that are no longer in use or no longer exist. **Recommendation** We recommend that management complete annual asset verification checks and update the fixed asset register accordingly.	**Accepted** A formal annual asset verification checks and required updates to the fixed asset register will be completed for the preparation of the 2023 Annual Report and Accounts. **Responsible Officer(s): Assistant Director of Finance-Governance and Financial Accounting** **Completion Date: by March 2024**	**Partially implemented** We note that a sample check over asset verification was completed in year, however this highlighted some disposals to be processed for assets with a nil net book value. The Board have noted that a more detailed exercise will take place during 2024/25.
5	❷	**Payroll starters, leavers and amendments - Issue** We note that there are appropriate processes in place to add new starters, remove leavers and process amendments to payroll, however there is not always an audit trail in place to retain the relevant documentation. **Risk** There is a risk that the payroll is not accurate if there is a risk that starters, leavers and amendments are not appropriately processed. **Recommendation** We recommend that all relevant paperwork be retained in relation to starters, leavers and amendments to HR and payroll, in order to ensure an audit trail is available to review and evidence this process. The Board should also ensure that IT access is removed on a timely basis for leavers.	**Accepted** While the recommendation does acknowledge that appropriate processes are in place the current process will be reviewed to ensure the control risk is mitigated by way of increased audit trail evidence. **Responsible Officer(s): Director of Finance / Director of Workforce** **Completion Date: September 2023**	**Implemented**

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
6	❸	**Key estimates and judgements - Issue** The financial statements contain a number of key estimates and judgements, which if not appropriately applied can lead to significantly different entries in the financial statements. **Risk** Whilst we acknowledge that the accounting policies went to Audit Committee on 19 April 23, we have not been able to identify where Board or Audit Committee consider these before the preparation of the financial statements (prior to 31 March). **Recommendation** We would recommend that management produce annual papers for Board or Audit Committee discussion and approval setting out their approach to key judgements and estimates, for example going concern and valuation of property plant and equipment, prior to the preparation of the financial statements commences.	**Accepted** The Accounting Policies were presented to the Audit and Risk Committee at their meeting on 19 April 2023. Note 28 within Appendix 1 which refers to key sources of judgement and estimation uncertainty was highlighted as requiring to be updated. The rationale for this approach is that this note to the Accounts should be specific to issues NHS Golden Jubilee wishes to draw the reader's attention to as well the Director of Finance wishing to review similar notes in other NHS Boards to ensure appropriate disclosure of key points. The Accounting Policies were included in full within the Annual Report and Accounts draft scrutinised by Audit and Risk Committee on 15 June 2023. Notwithstanding the above as part of the Annual Accounts process for 2023/24 the full set of Accounting Policies will be presented to Audit and Risk Committee for their consideration and approval at the meeting preceding the 31 March 2024. **Responsible Officer(s): Director of Finance / Depute Director of Finance** **Completion Date: February 2024**	**Implemented**

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
7	2	**Management review control for valuation of land and buildings - Issue** Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of the valuation of land and buildings risk we have not been able to identify a management control. **Risk** There is a risk that management are not content with the methodology and assumptions used by the valuer. **Recommendation** We recommend that should management wish to meet this requirement, they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the valuation of land and buildings held by the Board.	**Accepted** A number of learning points have arisen for both Management and KPMG in relation to the valuation for the NHS Golden Jubilee Conference Hotel. More formal engagement between Management and our Professional Valuer for 2023/24 will be undertaken to scope out more clearly the requirements. **Responsible Officer(s): Assistant Director of Finance-Governance and Financial Accounting** **Completion Date: by March 2024**	**Concluded** The Board has not implemented a control that meets the strict criteria of a management review control, however improvements have been made and we will note this on the significant risk slide in future years.
8	2	**Management review control for accruals - Issue** Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of the accruals process we have not been able to identify a management control. **Risk** There is a risk that accruals are not completely and accurately recorded. **Recommendation** We recommend that should management wish to meet this requirement, they will need to implement formally documented controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded.	**Accepted** A comprehensive review will be completed and formal documentation agreed for all staff within the Finance Team to reinforce the process and expected standards of substantiation of year end accrual entries. Management authorisation of year end accruals will also be built into the process to ensure consistency and senior responsibility. **Responsible Officer(s): Depute Director of Finance** **Completion Date: September 2023**	**Concluded** The Board has not implemented a control that meets the strict criteria of a management review control, however improvements have been made and we will note this on the significant risk slide in future years.

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
9	2	**Valuation of land and buildings process - Issue** We noted a number of process point regarding engagement with a management expert in the valuation of the land and buildings. Specifically there was: Limited documentation around the use of a separate (sub-contracted) hotel valuer's involvement in the valuation process and their expertise in this area; and • Lack of documentation of key management dialogue and outcomes, including: ○ Agreeing appropriate basis of value; ○ Justifying the judgement as non-specialised; and, ○ Documenting how the service potential of the asset has been assessed. **Risk** There is a risk that prior year approaches are rolled forward each year rather than full consideration to all of the relevant factors. **Recommendation** We recommend that the Board considers these points in their approach to the engagement with a management expert.	**Accepted** A number of learning points have arisen for both Management and KPMG in relation to the valuation for the NHS Golden Jubilee Conference Hotel. More formal engagement will be undertaken between Management and our Professional Valuer for 2023/24 to scope out more clearly the requirements set under the FreM including the specific points included within this recommendation. **Responsible Officer(s): Assistant Director of Finance-Governance and Financial Accounting** **Completion Date: by March 2024**	**Implemented**

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
10	2	**Capital accruals accounting - Issue** We identified that the goods received but not yet invoiced accruals contained a number of capital transactions that had been fully accounted for in year, when in fact all of the related work had not yet been completed or assets had not been received by 31 March 23. **Risk** There is a risk that property, plant and equipment is overstated and not accounted for in the correct year. **Recommendation** We recommend that management revisit and update their processes and procedures to ensure that capital transactions are accounted for in the year that assets are received or the year that the work takes place.	**Accepted** While an issue was indeed identified by KPMG through a sample of accruals and upon escalation of an issue to the Depute Director and then to Director of Finance it became evident that the historic approach to year end capital accruals based on 'commitments' did not meet the Director of Finance's view of adherence to relevant accounting standards. As such, a full review of 2022/23 accruals was requested with backup. After completion, a number of items accrued were not supported by the Director of Finance/ Depute Director of Finance and as such were removed by the Financial Accounts Team upon instruction. A documented process will be completed and the current structure of capital monitoring within NHS Golden Jubilee will be reviewed. **Responsible Officer(s): Depute Director of Finance** **Completion Date: August 2023**	**Partially implemented** We have noted some errors in our accruals testing, therefore management should revisit their processes and procedures to ensure capital accruals are correct to be accounted for as such.

Recommendations raised and followed up (continued)

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current status (June 2024)
11	❸	**Board Strategy - Issue** We identified through our Wider Scope work that the Board Strategy expired in 2022. We understand that this is currently under review and was delayed due to the pandemic pressures. **Risk** There is a risk that the Board Strategy is not up to date and relevant. **Recommendation** We recommend that the Board Strategy for future years is developed in line with the new timetable in place by the Board.	**Accepted** A timeline for the development of a new Board Strategy has been agreed. Work is on-going to complete this. **Responsible Officer(s): Director of Strategy, Planning and Performance** **Completion Date: July 2023**	**Not yet implemented** The completion date has been moved by the Board to August 2024
12	❸	**Risk Register Policy and Process - Issue** We identified through our Wider Scope work that the Risk Register Policy and Process was due for review in January 2023 and therefore has expired. We understand that this is currently under review and due for approval in July 2023. **Risk** There is a risk that the Risk Register Policy and Process is not up to date and relevant. **Recommendation** We recommend that the Risk Register Policy and Process is regularly reviewed in line with the timelines that are set by the Board to ensure it is relevant and accurate.	**Accepted** Work is currently ongoing to review the Risk Register in line with previous recommendations accepted through an Internal Audit report. In addition, a Board Seminar is planned for August 2023 for Members consideration of Risk Appetite and approach to Risk Management **Responsible Officer(s): Director of Finance** **Completion Date: September 2023**	**Implemented**

Audit Differences

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Risk 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 and Risk Committee, details of all adjustments greater than £220k will be communicated. To date, we have not concluded on any unadjusted audit differences.

Unadjusted audit differences (£'000s)

No	Detail	SOCNE Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Accruals Cr Expenditure	- (800)	800 -	Through our accruals testing over the invoice register, we found 3 errors totalling £240k that should not have been accrued for as at 31 March 2024. This has projected a further misstatement over the remaining invoice register population of £560k.
2	Dr Accruals Cr Property, plant and equipment	- -	533 (533)	Through our accruals testing over the capital goods receipted but not invoiced, we identified two errors totalling £222k for transactions that should not have been accrued for as at 31 March 2024. Management completed an exercise to determine any other similar issues, and identified a further 32 transactions that sum to £311k of differences.
3	Dr Accruals Cr Expenditure	- (1,003)	1,003 -	Through our accruals testing over the revenue goods receipted but not invoiced, we identified nine errors totalling £228k for transactions that should not have been accrued for as at 31 March 2024. This has projected a further misstatement over the remaining population of £775k.
4	Dr Creditors Cr Expenditure	- (558)	558 -	Through our testing of other operating expenses, we identified that a proportion of one sample (£13k of the £47k sample) was accounted for in the incorrect year, as it related to 2024/25. This has projected a further misstatement over the remaining population of £545k.
Total		(2,361)	2,361	

Audit Differences

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

Adjusted audit differences (£'000s)

No	Detail	SOCNE Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Accruals Cr Trade payables	- -	428 (428)	An incorrect classification adjustment was made for a transaction that was originally reducing trade payables. The correction of £428k was posted to increase accruals, however this should have increased trade payables in order to account for this gross.
2	Dr Gain on revaluation of PPE Cr Property, plant and equipment - revaluations Cr Property, plant and equipment – impairment	7,354 - -	- (6,883) (471)	The draft accounts incorrectly duplicated building additions into both the completions and revaluations line. Impairment was also not split out from revaluations.
3	Dr NHS Scotland Payables Cr Non-NHS Scotland Payables Dr Non-NHS expenditure Cr Goods and services from other NHS Scotland bodies	- - 514 (514)	585 (585) - -	Through our testing of the SFR30 NHS Scotland balance agreements, we noted two variances that were above the thresholds set. NHS expenditure with one entity was overstated and therefore non-NHS expenditure was understated, and NHS payables with one entity was overstated and therefore non-NHS payables was understated.
4	Dr Accruals Cr Expenditure	- (1,747)	1,747 -	Through our testing of accruals, we identified some historic goods receipted but not invoiced accruals. Management performed a review of these, and identified that £1,747k of the £2,198k goods receipts over one year old should no longer be accrued for.
Total		5,607	(5,607)	

Audit Differences

We also identified a number of disclosure adjustments that have been corrected, the most significant of which are as follows:

- Losses and special payment adjustment, audit fee adjustment, correction to the trade union facility time disclosure, correction to the whole time equivalent staff numbers, corrections to the remuneration report (one gross salary banding correction, updates from the SPPA calculators, correction to the fair pay disclosures), reclassifications correction to the property, plant and equipment note, reclassification correction to the staff costs note and a correction to contingent liabilities.

Intra-group error reporting

Further to the misstatements identified on pages 36-38, 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 identified no inconsistencies on our report on the Consolidation Schedules.

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 and Risk Committee members

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

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

Entity	2023/24	2022/23
Auditor Remuneration **	£88,370	£83,370
Pooled Costs	£10,680	£7,540
Audit Support Costs	-	£3,260
Sectoral Cap Adjustment	-£6,940	-£7,310
Overruns	-	£14,160
TOTAL AUDIT FEES (Incl VAT)	**£92,110**	**£101,020**
Fees for non-audit services	**-**	**-**

Source: Audit Scotland

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

KPMG's Audit quality framework

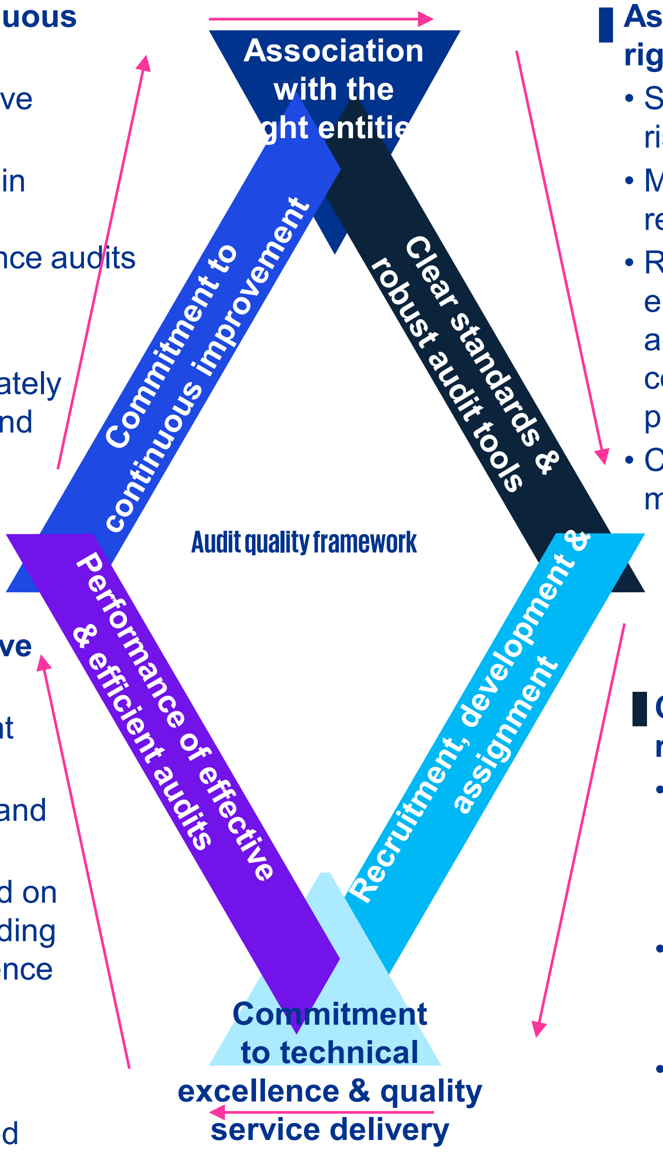
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

- 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 Manuals
- 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

Appendix six
FRC's areas of focus

The FRC released their [Annual Review of Corporate Reporting 2022/23] in October 2023. In addition, they have released three thematic reviews during the year should be considered when preparing reporting for the current financial period.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.

Reporting on the effects of inflation and other uncertainties

This year's Annual Review of Corporate Reporting identifies that companies continue to face significant economic and geopolitical uncertainty and annual report and accounts should therefore tell a coherent story about the impacts on the business and the assumptions the trust has made in preparing the financial statements.

The FRC notes that interest rate rises in response to persistent inflation, the related impact on consumer behaviour, and limited growth present a particularly challenging environment for companies. Financial reporting needs to set out the impact of these issues on their business, and the assumptions which underpin the values of assets and liabilities in financial statements. Significant changes in discount rates and future cash flows are expected as a result and they should be highlighted.

The impacts of uncertainty on companies' narrative reporting and financial statements are numerous, but the FRC sets out its clear disclosure expectations for 2023/2024:

- Disclosures about uncertainty should be sufficient to meet relevant requirements *and* for users to understand the positions taken in the financial statements.
- The strategic report should give a clear description of the risks facing the business, the impact of these risks on strategy, business model, going concern and viability, and disclosures should be cross-referenced to relevant detail in the report and accounts.
- Transparent disclosure should be provided of the nature and extent of material risks arising from financial instruments.

Preparers should take a step back to consider whether the annual report, as a whole, is clear, concise and understandable and whether additional information, beyond the requirements of the standards, is necessary to understand particular transactions, events or circumstances.

Appendix six

FRC's areas of focus (cont.)

Climate-related reporting

Climate-related reporting continues to progress with the new Companies Act requirements, effective for periods commencing 6 April 2022, requiring more entities to include climate-related financial disclosures within the annual report. These are largely aligned with the Taskforce on Climate-Related Disclosures (TCFD) recommendations, but do not include the 'comply or explain' provision for items that would have a material impact on the entity.

Climate-related risks remains an area of ongoing focus for the FRC as they embed the review of these disclosures into their routine annual reviews. The FRC has highlighted that it expects companies to provide improved disclosure explaining the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

In respect of TCFD disclosures, the FRC notes that sustainability reporting requirements continue to evolve and companies are still at very different stages in their reporting in this area. The FRC expect in scope entities to provide a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year. Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information.

In relation to the specific thematic on metrics and targets they highlighted five areas of improvement:

- the definition and reporting of trust-specific metrics and targets, beyond headline 'net zero' statements;
- better linkage between companies' climate-related metrics and targets and the risks and opportunities to which they relate;
- the explanation of year-on-year movements in metrics and performance against targets;
- transparency about internal carbon prices, where used by companies to incentivise emission reduction; and
- better linkage between climate-related targets reported in TCFD disclosures and ESG targets disclosed in the Directors' Remuneration Report.

FRC's areas of focus (cont.)

Impairment of assets

Heightened economic uncertainty, high inflation and higher interest rates have resulted in more instances of impairment or reductions in headroom, prompting the need for more detailed disclosures under IAS 36. The FRC notes that many of the queries it has raised with companies in the past year would have been avoided by clearer, more complete disclosures.

Disclosures should provide key inputs and assumptions applied, along with relevant values and sensitivity information where impairments could arise from reasonably possible changes in assumptions.

Assumptions should be consistent with information provided elsewhere in the annual report and with the wider economic environment; where there are inconsistencies, these should be explained.

Discount rates should be consistent with the assumptions in the cash flow projections, particularly in respect of risk and the effects of inflation.

Judgements and estimates

Most of the FRC's queries related to estimation uncertainty, and often involved disclosures which either did not contain sufficient information to be useful, or which appeared inconsistent with disclosures given elsewhere.

Disclosures should explain the significant judgement and provide quantified sensitivities where there is a significant source of estimation uncertainty. This includes judgements relating to the going concern assessment and accounting for inflationary features, including the use of discount rates. Sensitivity disclosures should be meaningful for readers, remain appropriate in current circumstances, explaining significant changes in assumptions and the range of possible outcomes since the previous year.

The FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to carrying amounts within the next year, and other sources of estimation uncertainty.

Cash flow statements

Cash flow statements have again been an area where the FRC have raised many queries and it remains one of the most common causes of prior year adjustments. Most queries raised by the FRC relate to unusual or complex transactions which have not been appropriately reflected in the cash flow statement.

Companies should ensure that descriptions of cash flows are consistent with those reported elsewhere in the report and accounts, with non-cash investing and financing transactions being excluded, but disclosed elsewhere if material.

In addition, companies should ensure that cash flows are appropriately classified between operating, financing and investing, and cash flows should not be inappropriately netted. Cash and cash equivalents should comply with the relevant definitions and criteria in the standard.

FRC's areas of focus (cont.)

Strategic report and other Companies Act 2006 matters

Strategic reports should focus not only on financial performance but should also explain significant movements in the balance sheet and cash flow statement. They should articulate the effect of principal risks and uncertainties facing the business, including economic and other risks such as inflation, rising interest rates, supply chain issues, climate-related risks and labour relations.

In addition, the FRC reminds companies that they should comply with the legal requirements for making distributions and repurchasing shares including, where relevant, the requirement to file interim accounts to support the transaction.

Income taxes

Following their thematic review last year, the FRC reminds companies that the nature of evidence supporting the recognition of deferred tax assets should be disclosed, and should factor in any difficult economic environment.

Additionally, companies should ensure tax-related disclosures are consistent throughout the annual report, uncertain tax positions are adequately disclosed, and material reconciling items in the tax rate reconciliation are presented separately and appropriately described.

Financial instruments

Companies should ensure that the nature and extent of material risks arising from financial instruments (including inflation and rising interest rates), and related risk management, are adequately disclosed.

This includes disclosures being sufficient to explain the approach and significant assumptions applied in the measurement of expected credit losses, including concentrations of risk, and assessments should be reviewed and adjusted for forecast future economic conditions.

The effect of refinancing and changes to covenant arrangements should be explained, with information about covenants being provided unless the likelihood of a breach is remote.

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

Revenue

Where variable consideration exists, companies should provide sufficient disclosure to explain how it is estimate and constrained.

Accounting policies and relevant judgement disclosures should be provided for all significant performance obligations. Those disclosures should address in sufficient detail the timing of revenue recognition, the basis for recognising revenue over time and the methodology applied.

Lastly, the FRC reminds companies that inflationary features in contracts with customers, and the accounting for such clauses, should be adequately disclosed and clearly explained.

FRC's areas of focus (cont.)

Presentation of financial statements and related disclosures

The FRC expects companies to disclose trust-specific information to meet the overall disclosure objectives of relevant accounting standards, and not just the narrow specific disclosure requirements of individual standards. They set out a clear expectation that additional information (beyond the minimum requirements of the standards) should be included where needed.

Provisions and contingencies

Clear descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow should be provided.

Inputs used in measuring provisions should be consistent in the approach to incorporating inflation, and details of related assumptions should be provided.

Fair value measurement

Fair value measurement has returned this year as one of the FRC's top ten issues raised in their correspondence with companies, and this has been the topic of a thematic review. Common queries raised include the omission of sensitivity disclosures and the quantification of unobservable inputs into fair value measurements.

The FRC reminds companies that they should use market participants' assumptions, rather than their own, in measuring fair value.

Thematic reviews

During the year FRC has issued Thematic reviews on the following topics:

- Climate-related metrics and targets
- IFRS 13 Fair value measurement
- IFRS 17 Insurance contracts – Interim disclosures in the first year of application

2023/24 review priorities

The FRC has indicated that its 2023/24 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

Travel, hospitality and leisure

Construction materials

Retail and personal goods

Gas, water and multi-utilities

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were 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 was effective for periods commencing on or after **15 December 2021**.

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

What impact did the revision have on audited entities?

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 result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (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.

ISA (UK) 315 Revised: changes embedded in our practices (cont.)

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

Appendix eight

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021*) The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 5. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

Newly effective accounting standards (and relevant IFRIC items)

Standards	Expected impact: High	Expected impact: Moderate	Expected impact: Low	Expected impact: None	Effective for years beginning on or after: 01 Jan 2023	Effective for years beginning on or after: 01 Jan 2024	Effective for years beginning on or after: 1 Jan 2025	Early adoption permitted
IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (not adopted into the FREM, this will apply from 2025 onwards for NHS entities)				○				
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)			●		✓			
Definition of Accounting Estimate (Amendments to IAS 8)			●		✓			
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)				○	✓			
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) (issued on 9 December 2021)			●		✓			
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)				○	✓			
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)				○		✓		✓
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)				○		✓		✓
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)				○		✓		✓
Lack of exchangeability (Amendments to IAS 21)				○			✓	✓
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures) *				○				✓
UK legislation on international tax system reform (BEPS)				○		✓		

Audit quality, evidence & the timeline of completion activities

Audit quality is at the core of everything we do – the quality and timeliness of information received from management and those charged with governance also affects audit quality.

The timeline on this page is for illustration only and shows the timing of our completion activities around the signing of the audit opinion. We depend on well planned timing of our audit work to avoid compromising the quality of the audit. We aim to complete all audit work no later than 2 days before audit signing.

Weeks before signing Audit Opinion	-3 weeks	-2 weeks			-1 week		Completion week			Teams involved in the process
Individual day's activities		Day 1	Day 3	Day 5	Day 1	Day 5	Day 1	Day 3	Day 5	
Audit report Reviews, Consultation										Audit Team
Final audit fieldwork										Audit Team
Review audit field work & provide points to the audit team										2nd Line of Defence
Review significant risk audit areas and challenge work performed										RI and EQCR
Review of the Audit Report										DPP Accounting & Reporting
Ensure points raised by Audit Report review are dealt with										RI and EQCR
Review Audit Committee report and draft accounts										RI and EQCR
Completion panel to discuss the draft Audit Committee report and draft accounts										Audit Risk Review Panels
KPMG Audit Committee report issued										Audit Team
Final Audit Committee										Audit Team
Ensure Audit Report review and Consultation points have been satisfactorily dealt with										Audit Team & DPP Accounting & Reporting
Final audit field work completed and signed off										Audit Team
Stand-Back review										Audit Team
Ensure all points raised are cleared										RI / EQCR / 2nd Line of Defence

Key:
- One day activity
- Activity over a period of time
- Year end
- Signing date of the Audit Report

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