

NHS Greater Glasgow and Clyde

Annual Audit Report
Year ended 31 March 2024

27 June 2024



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working world

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Auditor General appointed EY as external auditor to NHS Greater Glasgow and Clyde for financial years 2022/23 to 2026/27.

This report is for the benefit of the NHS Greater Glasgow and Clyde and is made available to Audit Scotland and the Auditor General (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients 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 Recipient'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, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.

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1. Executive summary

Financial statements

Our assessment:
Amber



We have concluded our audit of the financial statements of Greater Glasgow and Clyde NHS Board (the Board) for the year ended 31 March 2024. 4 adjustments were made to the financial statements and a further 9 adjustments were unadjusted. A further 8 disclosure adjustments were made with 2 unadjusted. The draft financial statements and supporting working papers were provided within a reasonable timeline with the exception of the remuneration and staff report and related parties disclosures. The financial statements and working papers were of a reasonable quality with improvements noted from 2022/23. We will continue to work with management to further improve the quality of their working papers and responses to audit queries.

We continued to work with management to make enhancements to the presentation of the performance report, accountability report. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were also materially satisfied that the Annual Governance Statement reflects the requirements of the Scottish Public Finance Manual ('SPFM') and the Government Financial Reporting Manual ('FReM').

We made 7 recommendations as a result of the annual audit, of which 2 were graded as high priority (Grade 1), 4 graded moderate priority (Grade 2) and 1 was graded low priority (Grade 3). These, together with management responses, are included within the action plan in Appendix E. We have assessed progress in addressing prior year recommendations within Appendix F with 8 recommendations assessed as being partially complete, 2 incomplete, 4 complete and 1 superseded.



Going concern

Our assessment:
Green

In accordance with the FReM, the Board prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Board has concluded that there are no material uncertainties around its going concern status, however it has continued to include enhanced disclosures around its future financial position in the financial statements to reflect the increased demand for services and inflationary pressures. We have no matters to report in respect of our work around going concern or the conclusions reached by the Board. Further consideration of the Board's financial position is considered through our wider scope procedures in respect of financial sustainability.

- Our auditor judgements are RAG rated based on our assessment of the adequacy of the
- Board's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not
- within the Board's control and internal risks which can be managed by the Board, as well as control and process observations made through our audit work.

Wider Scope



Financial sustainability

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.

Our assessment:
Red

The financial environment in which the Board operates was already challenging, and the Covid-19 pandemic, alongside the impact of the economic and geopolitical environments, including supply chain challenges and increased demand for services, has resulted in further, significant financial pressures, and creates a risk that the Board will not be able to develop and deliver viable and sustainable financial plans.

The Board submitted a three-year financial plan in March 2024 to the Scottish Government which outlines annual deficits of £48.3 million in 2024/25, £37.9 million in 2025/26 and £7.2 million in 2026/27 resulting in a cumulative deficit of £93.4 million with £367.6 million of recurring and non-recurring savings to be achieved across the three-year period from 2024-2027. The financial plan requires delivery of recurring savings of a value over 50% greater than what has been achieved in recent years.

The recurring requirement to identify and deliver significant savings year on year means that readily identifiable and easy to implement savings projects have already been delivered. This means that to deliver the scale of savings required to achieve financial balance, difficult decisions will be required, and larger scale service reform will be necessary. Such projects take time to plan, consult and deliver and there is therefore a significant and increasing risk that the Board will not be able to deliver savings in the required timeframe.

In addition to the Board's historical inability to fully deliver recurring savings, our assessment reflects the ongoing challenges facing the Board, the NHS and considers the level of risk and uncertainty outside the Board's control which could impact its ability to deliver savings.

Wider Scope



Financial management

Financial management means having sound budgetary processes, sufficient finance team capacity and expertise. Audited bodies require the ability to understand the financial environment and whether its financial processes and financial statement control arrangements are operating effectively.

Our assessment:
Green

The Board met all financial targets in 2023/24 with an underspend of £0.48 million against their revenue resource limit. The financial position throughout the year was challenging and the majority of savings delivered to reach financial balance were done so on a non-recurring basis including through receipt of additional funding. While the Board continues to review and identify areas to deliver recurring savings to ensure their medium and long-term sustainability, the Board’s reliance on non-recurring solutions is unsustainable in the medium to long term.

The Board is by the far the largest health board in Scotland, however the number of qualified accountants is comparable to most other boards. We continue to note that there is significant dependency on a small number of key individuals for complex and technical accounting matters. While some changes have been implemented, further work is required; this should continue to be a key area of focus for the Board alongside ensuring that there are appropriate succession planning arrangements for key finance roles.

Our assessment of prior year recommendations has noted that 10 (66%) are either incomplete or partially complete with 8 being assessed as partially complete and 2 incomplete. This should be an area of focus for the Board with specific consideration given to whether the actions planned will address the issues identified within audit recommendations and can be delivered within an appropriate timeframe.



Vision, leadership & governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Amber

The Board has a focus on continuous improvement as demonstrated through the ongoing implementation of NHS Scotland's Blueprint for Good Governance. Features of good governance have been demonstrated by the Board during the year.

The Board continues to assess, and where appropriate, update the arrangements it has to respond to the Scottish Public Hospitals Inquiry, the ongoing police investigation and the legal proceedings against the parties responsible for delivering the QEUH/RHC construction project. However, the challenges are unprecedented, and are placing significant additional pressures on senior management that need to be balanced with other priorities. This workload is likely to increase substantially over the next 12 months as the inquiry and legal proceedings progress.

Looking ahead, there is significant turnover within the Board including 6 non-executive members leaving in Summer 2024 having completed their 8-year terms, including the Board Vice Chairs and a number of members of the Audit and Risk Committee. A recruitment process has secured 6 new members who will commence their appointment on 1 July 2024.

In addition, the Medical Director and Chief Executive are retiring during 2024. The Board should continue to ensure there are appropriate transition arrangements for key senior roles and that additional support is sought where required, particularly recognising the significant operational and financial pressures ahead as well as increased activity related to the QEUH inquiry and associated matters.



Use of resources to improve outcomes

The Board's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes. This includes an assessment of the Board's performance against key performance indicators considering both performance during 2023/24 and a comparison against prior year performance.

Our assessment: Red

In addition to the significant financial pressures facing the NHS, performance nationally against prescribed waiting times targets is challenging. Balancing the financial pressures with increased demand for services is extremely difficult and plans to improve performance will require time to embed.

The Board considered regular performance updates against the Annual Delivery Plan measures throughout the year.

Performance has slightly declined against the Board's KPIs during 2023/24, with 57% of targets being met compared to 66% in 2023/24. It should be noted that 21 targets were reported against in 2023/24 compared to 15 in 2022/23.

There continues to be significant challenges in performance across three key areas: cancer treatment times; accident and emergency treatment times and delayed discharges. Increasing demand for services, including cancer referral rates, present challenges in improving performance however despite these challenges, significant improvement in these areas is required, a position common across NHS Scotland. A number of initiatives continue to be taken forward to address these areas however progress has been limited to date, partially driven by the continued increase in demand. Improvements in performance have also been observed with increased outpatient activity resulting in significant decreases in the number of new outpatients waiting over 52 and 78 weeks.

The Board has progressed with an Assurance Information Framework during 2023/24 to ensure the completeness of information reporting on key aims, objectives and performance to the Board and Committees.

2. Introduction

Purpose of our report

In accordance with the Public Finance and Accountability (Scotland) Act 2000 (“the Act”), the Auditor General for Scotland appointed EY as the external auditor of NHS Greater Glasgow and Clyde (“the Board”) for the five-year period 2022-23 to 2026-27. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021; Auditing Standards, and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is intended to summarise the key findings and conclusions from our audit work. It is addressed to both members of the Board and the Auditor General for Scotland and is presented to those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Board. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our Annual Audit Plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Board employs best practice and where practices can be

improved. We use these insights to form our audit recommendations to support the Board in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations in Appendix F.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and responsibilities

The Code sets out the responsibilities of both the Board and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Board’s Audit and Risk Committee on 12 December 2023.

Our review and assessment of materiality

Our Annual Audit Plan explained that that our audit procedures would be performed using an overall materiality of £31.5 million. Exhibit 1 confirms that we have updated the materiality level based on receipt of the 2023/24 draft financial statements however the basis for our materiality remains unchanged.

Exhibit 1: Our materiality assessment in 2023/24

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £31.5 million. We considered whether any change to our materiality was required and because of an increase in the Board's core revenue resource limit; our materiality was revised to £32.6 million.

Group and Board Planning Materiality



Group and Board Performance materiality



Group and Board Reporting materiality



Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited parts of the Remuneration Report.

Financial Statements audit

We are responsible for conducting an audit of the Group and Board's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- ▶ have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2023/24 audit in our Annual Audit Plan. Five significant risks and

key audit matters were identified that impacted the audit of the financial statements:

1. The risk of fraud in revenue and expenditure recognition (fraud risk);
2. Misstatement due to fraud or error (fraud risk);
3. Valuation of property, plant and equipment;
4. Valuation of Public Private Partnership and Public Finance Initiative liabilities; and
5. Remuneration and staff report disclosures.

Two inherent risks impacting the audit of the financial statements were identified, relating to the CNORIS provision and the valuation of inventories. Our findings are summarised in Section 3 of this report.

Wider scope and best value

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Board, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ The Board's arrangements to secure sound financial management.
- ▶ The regard shown to financial sustainability.
- ▶ Clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery.
- ▶ The use of resources to improve outcomes.

Our Annual Audit Plan identified two areas of audit focus in relation to wider scope audit:

- ▶ The development of sustainable and achievable medium term financial plans (Financial sustainability); and
- ▶ Scottish hospitals inquiry (Vision, leadership and governance).

Our wider scope findings are summarised in Section 4 of this report.

3. Financial statements

Introduction

The annual financial statements provide the Board with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

Compliance with regulations

As part of our oversight of the Board's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

The draft financial statements and supporting working papers were provided slightly after the agreed date. There was one material omission relating to the remuneration and staff report which is explained further on page 28. The financial statements and working papers were of a reasonable quality however we continue to identify opportunities for improvement and enhancement to support a more efficient financial statement production process and subsequent audit process.

Financial statement timetable

The financial statements prepared by management were to a reasonable standard and were materially compliant

with the Annual Accounts Manual, FReM and required disclosures. Limited changes had been made to improve and enhance the understandability of the performance and accountability reports following our prior year audit recommendation as set out in Appendix F, recommendation 1. As part of the audit process, we worked with management and the finance team to continue to make enhancements to the presentation of the performance report and accountability report.

Group financial statements

The Board prepares its annual report and financial statements on a group basis. The Group consists of the following organisations in addition to the Board:

- ▶ NHS Greater Glasgow and Clyde Endowment Fund; and
- ▶ the six integration joint boards operating in partnership with the Board (Glasgow, East Renfrewshire, Renfrewshire, East Dunbartonshire, West Dunbartonshire and Inverclyde).

The Endowment Fund (the Fund) is fully consolidated. Income and expenditure for the endowment fund is immaterial to the Group however the Fund holds a material level of assets.

As set out in our Annual Audit Plan, we classified the Fund as a specific scope component meaning that the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of the accounts. Due to the nature of the investments held by the Fund, we issued group instructions to the Fund auditor, BDO LLP. The instructions covered specific procedures in respect of cash and investments only.

Our communications with the component auditor note that the Fund audit is complete with no significant matters have been brought to our attention which impact the Group.

The Integration Joint Boards are joint ventures with the respective local authority and are accounted for under the equity method. We determined that the Integration Joint Boards were review scope components meaning that our procedures primarily consisted of analytical review procedures and inquiries of management. We obtained confirmation from the Integration Joint Board Chief Financial Officers regarding the balances to be included within the Group financial statements.

It was identified during the audit that East Dunbartonshire IJB were unable to provide a complete confirmation of balances due to a finance system change at the Council and therefore estimated figures for month 11 and 12 were initially provided. We worked with the Board and IJB to obtain assurance over the accuracy of the consolidated figures. Refer to recommendation 1, Appendix E.

We are satisfied that the consolidated financial statements have been prepared appropriately. Our work included reviewing the consolidation entries made within the group financial statements and confirming those entries back to component financial statements.

Audit outcomes

4 adjustments were made to the financial statements and a further 9 adjustments were unadjusted. A further 8 disclosure adjustments were made with 2 unadjusted. The differences related to a wide range of areas with the majority relating to classification differences across both balance sheet and income and expenditure accounts with one significant

adjustment in respect of property, plant and equipment. Our overall audit opinion is summarised on the following page.

We made 7 recommendations as a result of the annual audit, of which 2 were graded as high priority (Grade 1), 4 graded moderate priority (Grade 2) and 1 was graded low priority (Grade 3). These, together with management responses are included within the action plan in Appendix E. We have assessed progress in addressing prior year recommendations within Appendix F with 10 recommendations assessed as being incomplete or partially complete.

Key audit matters

Under the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on:

- ▶ the overall audit strategy;
- ▶ the allocation of resources in the audit; and
- ▶ directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Exhibit 2: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
Financial statements <ul style="list-style-type: none"> ▶ Truth and fairness of the state of affairs of the Group and Board at 31 March 2024 and its expenditure and income for the year then ended ▶ Financial statements in accordance with the relevant financial reporting framework. 	<ul style="list-style-type: none"> ▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. ▶ We are satisfied that accounting policies are appropriate and estimates are reasonable ▶ We have considered the financial statements against the FReM and Annual Accounts Manual requirements, and additional guidance issued by the Scottish Government and Audit Scotland. 	<p>We issued an unqualified opinion on the 2023/24 financial statements for the Board and its Group.</p>
Going concern <ul style="list-style-type: none"> ▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting. 	<ul style="list-style-type: none"> ▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. ▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability. 	<p>In accordance with the work reported on page 32, our audit opinion is unqualified in this respect.</p>
Other information <ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit. 	<ul style="list-style-type: none"> ▶ We conduct a range of substantive procedures on the financial statements. ▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and board minutes and papers, regular discussions with management, our understanding of the Group, Board and the wider sector. 	<p>We are satisfied that the performance, accountability and remuneration and staff report meets the core requirements set out in the FReM and Annual Accounts Manual.</p>

Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
Matters prescribed by the Auditor General for Scotland Audited part of Remuneration and Staff Report has been properly prepared Performance report, Accountability report and Annual Governance Statement are consistent with the financial statements and have been properly prepared.	Our procedures include: <ul style="list-style-type: none"> ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the requirements of the SPFM and the FReM. 	We issued an unqualified opinion.
Matters on which we are required to report by exception	We are required to report on whether: <ul style="list-style-type: none"> ▶ there has been a failure to achieve a prescribed financial objective, ▶ adequate accounting records have been kept, ▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or ▶ we have not received the information we require. 	We have no matters to report.

Shared systems and functions

Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and shared audit findings.

Across NHS Scotland, a number of shared services exist as set out in Exhibit 3 for which independent service auditor's reports are provided in line with International Standard on Assurance Engagement 3402.

Exhibit 3: Summary of service auditor assurances

Shared service	Service Assurance
National Practioner and Counter Fraud Services This report provides assurances over the controls to support the four family health services payment streams relating to medical, ophthalmic, dental and pharmacy.	<p>NHS National Services Scotland (NSS) procures a service auditor report from PWC LLP. In late May 2024, PWC LLP reported a qualified audit opinion in respect of controls relating to payments adjustments and patient detail amendment claims, MIDAS standing data (Dental Practices and Dental Contractors) updates and patient removal not operating effectively. An emphasis of matter was also noted in respect of the General Pharmaceutical Services and the impact that the change in system has had on GPS and the internal control environment, in particular the use of an estimated payment method during the period.</p> <p>The Board prepared an assessment of the impact of the qualification and determined that there is no material impact on balances recorded within the financial statements. We considered the findings of the report and are satisfied findings do not have a material impact on our audit approach or conclusions. We note specifically that additional procedures were performed to assess the integrity of data received from NSS in respect of GPS expenditure.</p> <p>We confirmed that the matter was appropriately disclosed within the annual governance statement.</p>

Exhibit 3: Summary of service auditor assurances (continued)

Shared service	Service Assurance
National IT contract This contract with NHS National Services Scotland covers the services provided by ATOS IT Services Limited in respect of IT services controls supporting payroll services and practitioner and counter fraud services.	<p>NHS National Services Scotland (NSS) procures a service auditor report from PWC LLP. In late May 2024, PWC LLP reported a qualified audit opinion in respect of controls relating to logical access to applications, operating systems and databases which were not designed effectively and did not operate effectively.</p> <p>The Board prepared an assessment of the impact of the qualification and determined that there is no material impact on balances recorded within the financial statements. We considered the findings of the report and are satisfied findings do not have a material impact on our audit approach or conclusions.</p> <p>We confirmed that the matter has been appropriately disclosed within the annual governance statement.</p>
National Single Instance (NSI) Financial Ledger Services NHS Ayrshire and Arran operate the NSI financial ledgers services on behalf of all Scottish health boards.	<p>NHS Ayrshire and Arran procure a service auditor report from BDO LLP. In May 2024, the service auditor highlighted no critical or significant findings and reported an unqualified opinion.</p>

Our response to significant and fraud audit risks

1. Risk of fraud in revenue and expenditure recognition (Key audit matter)

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

The Board's financial plan for 2023/24 set out an initial forecast deficit of £71.1 million. Over the course of the financial year, the Board progressed with savings plans and obtained additional funding to reach a small underspend.

As a result of the financial pressures and initial forecast deficit, there is a presumed incentive for management to manipulate judgemental and subjective areas to improve the Board's reported financial performance and ensure a breakeven position in line with the Board's financial targets.

We therefore consider this risk to be most prevalent in the following income and expenditure balances:

- ▶ **Operating income (including contract revenue and excluding income for services commissioned by IJBs) :** £1.07 billion (prior year (PY): £1.07 billion)
- ▶ **Other expenditure:** £2.2 billion (PY: £2.06 billion)

- ▶ **Deferred income (including contract liabilities):** £27.4 million (PY: £54.9 million)
- ▶ **Payables accruals:** £325.6 million (£405.4 million)
- ▶ **Accrued income:** £48.6 million (PY: £7.6 million)
- ▶ **Other receivables:** £144.5 million (PY: £163 million)

Refer to accounting policies with Note 1 pages 90 -104 and notes 3, 4, 8 and 11 of the financial statements.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account. Accordingly, we rebut the risk in respect of revenue and expenditure recognition around Scottish Government funding, income for services commissioned by Integration Joint Boards and payroll expenditure.

In 2022/23, two significant adjustments were recognised in respect of the activity shortfall accrual and the associated contract revenue. We further noted a number of accruals errors including classification differences.

A revised methodology for accounting for service level agreement revenue in line with IFRS 15 was adopted. Discussions have taken place through the NHS Technical Accounting Group regarding the accounting treatment for 2023/24 with a revised treatment in place for income received during 2023/24 as explained further on page 17.

What did we do?

We undertook specific, additional procedures over income and expenditure streams where we identified a significant risk, including:

- ▶ review and test revenue and expenditure accruals at the period end date;
- ▶ assess whether liabilities were appropriately classified within the financial statements;
- ▶ review SFR 30 data and investigate differences with counter-parties we consider to be significant;
- ▶ focus our testing on manual year-end accrued income and other receivables, accrued expenditure, and provisions where we believe the risk of management override and/or inappropriate revenue and expenditure recognition to be greater;
- ▶ test compliance with IFRS 15 in respect of contract revenue;
- ▶ perform specific testing over family health services income and expenditure including agreeing amounts recognised to form 12s and reviewing the findings of the service auditors' reports; and
- ▶ test revenue and capital expenditure to ensure it has been appropriately classified.

Area of focus: Service Level agreement

As part of the 2022/23 audit, we reported a material change to the accounting policies required in respect of income and expenditure recognised in relation to service level agreements, where the Board provides services to patients from other territorial health boards who have been transferred onto the Board's waiting lists. Historically, the Board recognised all income received from other Boards on receipt and accrued for the future cost of treating those patients. A revised treatment was agreed, including the removal of accruals for future costs, and only recognising income to the extent performance obligations had been met in line with IFRS 15. This resulted in material adjustments, including to the 2021/22 prior year comparative figures, to both income and expenditure, and the creation of a contract liability of £51.2 million at 31 March 2023, essentially deferred income.

In 2023/24 accounting and audit consideration was required for new arrangements, as well as the continued release of income related to the historic contract liability.

For arrangements going forward from 1 April 2023, income is recognised in line with IFRS 15 under revised agreements with other health boards, specifically that under IFRS 15, the Board is providing ongoing and continuous access to services to other boards. This is irrespective of the extent to which other boards utilise these services by transferring patients, and not subject to any restriction or other agreement on set levels of "activity". There are a set number of services which are considered "exclusions" from this agreement, for which access is granted but additional payments are made through invoice on completion of services.

For arrangements related to patients transferred before 1 April 2023, these continue to fall under the revised accounting arrangements agreed last year. As such income continues to be released as patients are treated, until all income is released when there are no remaining patients left on waiting lists from this period.

Area of focus: Service Level agreement continued

Our audit procedures for the year included:

- ▶ Extensive consultation with management, Audit Scotland, Scottish Government, the NHS Technical Accounting Group and our internal IFRS specialists to agree the accounting approach from 1 April 2023.
- ▶ Confirmation of our understanding of the methodology applied to the recognition of income in each year in line with the performance of the relevant obligations to treat patients in line with the requirements of IFRS 15.
- ▶ For activity agreed before 1 April 2023, we tested the underlying data driving the revenue recognition and subsequent deferral of remaining revenue as a contract liability to supporting information for relevant patients.
- ▶ For activity subsequent to 1 April 2023, we tested access arrangements to confirm these were in place throughout the year, and that procedures related to exclusions were appropriately separated and invoiced correctly.
- ▶ Agreed the mathematical accuracy and presentation of all IFRS 15 income in the financial statements.

We identified one audit difference in relation to patients treated as part of the previous service level agreements, who were transferred and treated by National Waiting Time Centre Board (also known as NHS Golden Jubilee), who were not included in the release of the income calculations. This difference would increase income by £1.8 million. Management have chosen not to make this adjustment.

We note that while a revised arrangement has been implemented for 2023/24, a longer-term solution is required. Refer to Appendix F, recommendation 3 for further details.



Our conclusions

- ▶ Our work in respect of accruals and accrued income is complete. Our testing identified a total net adjustment of £2.9 million in respect of accrued expenditure. We noted improvements to the quality of information provided to support accrued expenditure. Further improvements could be made through greater communication between the financial services and management accounts teams to ensure a greater understanding of balances and reduce the risk of accruals being double counted. We also note that use of nominal codes and supporting reconciliations could be enhanced to make identification of year end balances clearer. Refer to Appendix E, recommendation 2.
- ▶ Our procedures identified a number of classification errors. Management should ensure that a thorough review is performed to reduce the number of such errors in future years. Refer to Appendix F, recommendation 4.
- ▶ We worked with management to enhance contingent liability disclosures including in respect of:
 - ▶ The 2023/24 pay award included a commitment to perform a job evaluation exercise in respect of band 5's who are performing at band 6 level. Should claimants be successful, the pay uplift could be backdated to April 2023. Due to this process being at an early stage, the Board are unable to determine a reliable estimate of the potential liability and therefore we are satisfied that this has been appropriately disclosed as a contingent liability. This treatment will be kept under review until the approval of the financial statements as new information emerges.
 - ▶ In May 2024, the Blood inquiry was published with a compensation scheme subsequently announced. While the exact mechanism and responsibility for the compensation scheme remains to be determined, the Board has disclosed the matter within the annual governance statement.
- ▶ All adjustments as noted above are included within Appendix G.
- ▶ Based upon the audit procedures performed, we conclude that revenue and expenditure has been appropriately recorded in accordance with the requirements of the Government Financial Reporting Manual (chapter 7 and 11).

2. Risk of misstatement due to fraud or error (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement and consider this risk to be relevant to the Group and the Board as a single entity.

Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on journal entries

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions.

In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- ▶ Evaluating the business rationale for significant and unusual transactions; and
- ▶ Journals adjusting between income and expenditure accounts and capital accounts.

Due to the current processes adopted by the finance team, we were unable to fully utilise our data analysers due to the name of the individual who prepared the journal not being recorded on the system. This is because the central bookkeeping team post journals on behalf of other finance team staff members. This process changed during the financial year for the management accounts team following a prior year audit recommendation (refer to Appendix F, recommendation 5) however a similar process has not been adopted by the financial services team. This should be reviewed further during 2024/25.

We identified no unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

Judgements and estimates

In respect of accounting judgements and estimates, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to early retirement provisions and clinical and medical negligence claims (outlined on page 30 of this report); and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 23 of this report).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;

- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Board to be appropriate however we have recommended the depreciation accounting policy is reviewed. Refer to recommendation 3, Appendix E



Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.
- ▶ We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- ▶ There were no significant accounting practices which materially depart from what is acceptable under the FReM or Annual Accounts Manual.

3. Valuation of Property, Plant and Equipment (Key audit matter)

Financial statement impact

The Board held £2.7 billion (2022/23: £2.5 billion) of property, plant and equipment with £2.4 billion (2022/23: £2.19 billion) relating to land and buildings. Additions totalled £93.6 million, with completions of £59 million.

Refer to accounting policies within note 1 of the financial statements (page 90 to 104) and note 6 of the consolidated financial statements.

What is the risk?

In accordance with the FReM, the Board must ensure that land and buildings are subject to regular valuation. The Board has a rolling 5-year programme with indexation applied to assets not formally revalued in year.

The fair value of property, plant and equipment (PPE) represent significant balances in the Board's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

During 2023, an additional aspect of the risk around accounting for capital balances emerged nationally, in relation to the use of Reinforced Autoclaves Aerated Concrete (RAAC) in buildings across the UK. RAAC has had impact across the NHS, in addition to the wider public and private sector nationwide. Following recent investigations nationally it was identified that RAAC had

the potential to materially impact the functionality and safety of buildings and result in significant additional costs to rectify and mitigate risks or result in buildings being closed altogether. NHS Scotland Assure has been undertaking a national exercise to identify both buildings at risk of containing RAAC. Management will be required to assess any impairment required to identified buildings containing RAAC as part of their annual impairment assessment.

The Board additionally has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure. Further, a number of adjustments were identified in 2022/23 due to delays in capitalising assets.

What did we do

Our procedures included:

- ▶ Review and appraise the work performed by the Board's valuer, including the adequacy of the scope of work performed, their professional capabilities and the results of their work;
- ▶ Assess management's challenge of the valuer including understanding any significant changes in valuation or useful lives against the Board's own understanding of the estate;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Involve EY internal specialists to challenge the work performed by the Board's valuers, where appropriate;

- ▶ Assess any changes to useful economic lives;
- ▶ Test accounting entries have been correctly processed in the financial statements;
- ▶ Assess the completeness of management's assessment of the presence of RAAC within the Board's estate and any impairments required to buildings;
- ▶ Sample test transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- ▶ Review management's impairment assessment and consider the completeness of impairment considerations;
- ▶ Gain an understanding of the level and nature of capital expenditure in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure;
- ▶ Ensure that assets recorded in the financial statements remain in existence at the balance sheet date through performing physical verification checks;
- ▶ Ensure additions are capitalised in a timely manner and depreciation appropriately charged from the date the asset was brought into use; and
- ▶ Review operating expenditure for evidence of capital additions omissions.



Our conclusions

Valuations

- ▶ We identified a material misstatement of £123 million in respect of the incorrect indexation rate being applied to assets which had not been subject to a full valuation in the current year as noted within Appendix G. Following our prior year audit recommendation (Appendix F, recommendation 6), we had noted an improvement in the level of review and challenge of the assets subject to valuation in year. However, the indexation error identified would have been identified by management if the same level of assessment had been provided to the indexation rates used as well as basic analytical review procedures.
- ▶ We noted some anomalies with the valuation of the Yorkhill site and requested management prepare a technical accounting paper. The site is partially operational and partially surplus which brings additional complexities to the valuation. Management determined that the asset should be valued at nil which was challenged by the audit team and resulted in a judgemental difference of £2.6 million which is recorded in Appendix G. A recommendation has also been raised in Appendix E, recommendation 4.
- ▶ Our assessment is that the valuations of land and buildings falls within an acceptable range, recognising the significant judgements and estimation inherent with such valuations. Within that range, we noted that a greater proportion of assets subject to audit review fall within the lower quartile. This should be an area of focus for the Board to ensure that assets are appropriately valued.
- ▶ Our work in respect of valuations is complete and no further significant matters were identified from the work performed.
- ▶ Based upon the audit procedures performed, we conclude that PPE has been appropriately valued in accordance with the requirements of the FReM (chapter 7 and 10).

Additions and completions

- ▶ In the prior year we identified a number of errors in respect of the timing of capitalisation of adjustments. Following a prior year audit recommendation (Appendix F, recommendation 7), management has implemented an enhanced review process with no errors identified during 2023/24.
- ▶ Our work in respect of additions and completions is complete with one classification error identified as noted in Appendix G. No further matters were identified from the work performed.

Existence and depreciation

- ▶ The Board holds a significant number of fully depreciated assets with a gross book value of £320.7 million. We completed existence testing and confirmed that a sample of these assets remain in use however there were 97% sampled which did not exist and an adjustment of £320.7 million was identified. While the Board applies the recommended useful lives as per the Capital Accounting Manual, we recommend that the Board perform a review to ensure that these useful lives are appropriate and representative of the actual period for which the Board uses assets. We further note that management's existence checks of assets are limited and that a review of current procedures should be performed - refer to Appendix E, recommendation 5 and Appendix F, recommendation 10.

4. Valuation of PFI/Hub Liabilities (Key audit matter)

What is the risk?

The value of PFI/Hub liabilities represent significant balances in the Board's financial statements with the Board holding 16 different contracts. Accounting for these contracts includes complexities ensuring the financial models reflect any contract amendments and inflationary uplifts.

Within the 2023/24 financial statements, the Board held £299 million (2022/23: £299 million) in respect of PFI/Hub contract liabilities (refer to accounting policies in note 1 on page 90 to 104 and note 16 of the consolidated financial statements).

Due to the complexity of accounting for PFI/PPP contracts and the high value of the transactions, there is a risk that the Board's financial statements do not show the correct accounting entries, reflect the correct accounting model and that related commitments are not correctly disclosed.

Our 2022/23 audit procedures identified a number of historic errors totalling £13.5 million in respect of the PFI/Hub liabilities which will be corrected during 2023/24.

The Board will be required to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023/24. This means that the liability must be remeasured if there is a change in future lease payments resulting from a change in an index/rate used to determine those payments.

What did we do?

Our procedures included:

- ▶ Review the contractual agreements for each PFI/Hub asset and confirm any contract amendments have been appropriately reflected within the liability valuation;
- ▶ Ensure that the accounting models are appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments;
- ▶ Test accounting entries are correctly processed in the financial statements;
- ▶ Review the Board's accounting assessment of the impact of the application of IFRS 16 to their PFI/Hub liabilities;
- ▶ Involve EY internal specialists to review and challenge the remeasurement of liabilities arising from the application of IFRS 16; and
- ▶ Review financial statement disclosures to ensure commitments are appropriately disclosed.



Our conclusions

- ▶ The future PPP/Hub liabilities were remeasured as at 1 April 2023 to include the indexation linked changes to payments for the capital/infrastructure element which took effect in the cash flows since the PPP/Hub arrangements commenced. In line with the FReM requirements, a cumulative catch-up approach was adopted whereby the cumulative effect of £75.8 million was recognised as an adjustment to the opening general fund balance. The annual accounts template did not enable this to be shown correctly and therefore an adjustment was required for the final financial statements.
- ▶ A further remeasurement has also taken place as at 31 March 2024. The overall increase in PFI liabilities is £75 million. We engaged our specialists to support our procedures in respect of the IFRS 16 amendments and we are satisfied that both remeasurements are appropriately calculated for each of the PFI/Hub schemes.
- ▶ We identified a number of disclosure amendments as noted within Appendix E. The most significant disclosure adjustment related to the remeasurement of future service element costs and totalled £82.6 million.
- ▶ Based upon the audit procedures performed, we conclude that PFI/Hub liabilities are appropriately valued in accordance with the requirements of the Government Financial Reporting Manual (chapters 7 and 10).

5. Remuneration and staff report (Key audit matter)

What is the risk?

In line with FReM requirements, the Board must produce a remuneration and staff report which includes disclosures in respect of Board members and management remuneration and pension benefits as well as other staff information. By nature, these disclosures are considered sensitive and attract a greater level of attention.

During the 2022/23 audit, a complete remuneration and staff report was not available until significantly after the commencement of the audit.

Upon receipt, it became clear that a thorough review of the guidance had not been performed and a number of amendments were required to the report. We further encountered a number of data quality issues including in respect of information obtained by the Board from the SPPA.

There is therefore a risk that the remuneration and staff report are not complete and/or free from error.

What did we do?

Our procedures included:

- ▶ Review the remuneration and staff report against the FReM and NHS annual accounts manual requirements to ensure compliance;
- ▶ Test the underlying data used to prepare the remuneration and staff report disclosures to source documentation;
- ▶ Test the mathematical accuracy of remuneration and staff report disclosures;

- ▶ Assess the completeness and consistency of remuneration and staff report disclosures against our knowledge of the Board and other audit procedures performed, such as payroll testing; and
- ▶ Ensure pension data provided by SPPA is consistent with Board records and investigate any discrepancies.

Our findings

The Board has been unable to produce a complete remuneration and staff report in line within the agreed timeline due to national issues impacting the provision of CETV (Cash equivalent transfer values) by the Scottish Public Pensions Agency ('SPPA').

The SPPA published a circular on 24 April 2024 advising of a change to the process for providing CETV information due to changes in the CETV calculation including accounting for the McCloud remedy. This has resulted in delays to the Board receiving calculations from SPPA and the SPPA responding to queries in respect of those calculations.

As a result, the Board has been unable to complete their own quality assurance processes and produce a complete and accurate remuneration and staff report.

We further noted that the delays in receipt of completed calculations has delayed planned national assurance work by Audit Scotland in respect of the CETV calculations.

In June 2024, HM Treasury published an amendment to the 2023/24 FReM which enables public sector bodies to apply reduced disclosures where data is not available in a timely manner for directors and waiting for it to be finalised could risk causing a delay to the planned laying of the financial statements.

The Board elected to apply the FReM amendment in respect of pension values disclosed within the remuneration report due to the delays encountered and the ability to resolve queries in respect of pension data in a timely manner to enable the annual report and financial statements to be signed off in line with the deadline of 30 June 2024.

We concur with management's assessment to apply the FReM amendment and are satisfied that appropriate disclosures, in line with the updated FReM requirements have been made. This approach has further been agreed with Scottish Government.

In respect of the other audited areas of the remuneration report, we have identified a number of disclosure amendments including inconsistent use of payroll data to produce required disclosures. Management should continue to review the reporting tools used for the remuneration report and perform spot checks of the data to identify any anomalies or inconsistencies. Refer to recommendation 15, Appendix F.



Our conclusions

- ▶ We are satisfied that the Board has appropriately applied the June 2024 FReM amendment and disclosed this within the remuneration and staff report.
- ▶ We are satisfied that following several disclosure amendments, that the audited part of the remuneration and staff report has been properly prepared.

CNORIS Provision

Audit requirements

Our Annual Audit Plan highlighted additional areas of inherent risk. Within the Board's financial statements, provisions for legal obligations in respect of clinical and medical obligations and participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme) are recognised. The Board also recognise liabilities for previous agreements known as structured settlements. These material estimates include a significant degree of subjectivity in the measurement and valuation of provisions with significant input from the Central Legal Office.

These provisions totalled £431 million (2022/23: £411 million).

Our approach

Our audit work focused on the following areas of judgement within these balances and included:

- ▶ Reviewing the method, underlying assumptions and data inputs used to calculate the provision to ensure these are appropriate and accurately reflect the Board's obligation as at 31 March 2024;
- ▶ Assessing whether provisions, including CNORIS, are recorded in line with the FReM and the Board's accounting policies, and were accounted for appropriately;
- ▶ Assessing the work performed by the NHS Scotland Central Legal Office ('CLO'), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; and
- ▶ Assess the completeness of disclosures in respect of significant estimation and judgements applied for provision values.



Our conclusions

- ▶ Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide can be used as audit evidence under ISA (500) UK and evaluate the appropriateness of the methodology adopted by the Scottish Government to estimate the national obligation. Their review did not identify any issues in respect of the methodology applied and they concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information. Our own assessment concurs with this position.
- ▶ We are satisfied that the amounts recorded in the Board's financial statements in respect of CNORIS participation and clinical and medical negligence provisions reflect the amounts notified by the CLO. The financial statement disclosures appropriately reflect the estimation uncertainty inherent in such provisions.
- ▶ Amendments were made to enhance estimate disclosures surrounding structured settlement payments to reflect the significant estimation and judgements applied to arrive at a provision value.

Valuation of inventories

Audit requirements

The Board held an inventory balance of £29.3 million as at 31 March 2024 (2022/23: £27.1 million).

Due to the Covid-19 pandemic, full stock counts were unable to be performed for two financial years and therefore 2022/23 was the first-year full stock counts were undertaken in three years. We identified a number of areas for improvement in respect of inventory controls during our 2022/23 stock take attendance with a total error of £0.53 million.

There is therefore a risk that inventories are not accurately valued or that the balance is not complete.

Our approach

Our audit work focused on the following areas of judgement within these balances and included:

- ▶ Ensuring that the Board has an appropriate programme of yearend inventory counts;
- ▶ Attending a sample of yearend inventory counts to ensure that appropriate counts and valuations have occurred; and
- ▶ Ensuring that stock valuations are appropriately reflected within the financial statements.



Our conclusions

- ▶ Consistent with the volume and nature of errors in previous years, our attendance at inventory counts identified a number of control observations and errors in counts. Appendix F, recommendation 9.
- ▶ Count errors for the sites attended were amended within the count sheets provided to the central finance team with the final error being below our reporting threshold.
- ▶ No other material issues were noted through our procedures to support the valuation, completeness and existence of inventory.

Going concern

Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the FReM, the Board shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity.

However, under the auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Board and its financial sustainability.

Management's assessment and disclosures cover the 12-month period following approval of the financial statements, to June 2025.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Board has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Board's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ The completeness of factors considered in management's going concern assessment.
- ▶ The integrity and robustness of the underlying cash flow forecasts supporting future financial projections, in particular if the Board projects to require financial support during the going concern assessment period; and
- ▶ The completeness of disclosures in the financial statements in relation to going concern and future financial performance in line with the requirements of the FReM.



Our conclusions

- ▶ We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key Board reports and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Group and Board.

4. Wider Scope Audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management.
- ▶ Financial sustainability.
- ▶ Vision, Leadership and Governance.
- ▶ The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Board's internal auditor, along with national reports and guidance from regulators and Audit Scotland.

Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. We have considered the best value principles through each wider scope dimension.

Our considerations and audit work in respect of the wider scope dimensions recognise the external factors significantly impacting the Board, including the ongoing recovery from the Covid-19 pandemic, the increasing demand for services and the high inflationary environment. Our areas of audit focus have therefore taken cognisance of the external challenges facing the Board.

Exhibit 4: Our RAG ratings



Red

Amber

Green

Our auditor judgements are RAG rated based on our assessment of the adequacy of the Board's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.

This takes account of both external risks not within the Board's control and internal risks which can be managed by the Board as well as control and process observations made through our audit work.

Financial Sustainability



Our overall assessment: Red

The financial environment in which the Board operates was already challenging, and the Covid-19 pandemic, alongside the impact of the economic and geopolitical environments, including supply chain challenges and increased demand for services, has resulted in further, significant financial pressures, and creates a risk that the Board will not be able to develop and deliver viable and sustainable financial plans.

The Board submitted a three-year financial plan in March 2024 to the Scottish Government which outlines annual deficits of £48.3 million in 2024/25, £37.9 million in 2025/26 and £7.2 million in 2026/27 resulting in a cumulative deficit of £93.4 million with £367.6 million of recurring and non-recurring savings to be achieved across the three-year period from 2024-2027. The financial plan requires delivery of recurring savings of a value over 50% greater than what has been achieved in recent years.

The recurring requirement to identify and deliver significant savings year on year means that readily identifiable and easy to implement savings projects have already been delivered. This means that to deliver the scale of savings required to achieve financial balance, difficult decisions will be required, and larger scale service reform will be necessary. Such projects take time to plan, consult and deliver and there is therefore a significant and increasing risk that the Board will not be able to deliver savings in the required timeframe.

In addition to the Board's historical inability to fully deliver recurring savings, our assessment reflects the ongoing challenges facing the Board, the NHS and considers the level of risk and uncertainty outside the Board's control which could impact its ability to deliver savings.

The context for financial sustainability within the health sector

Scotland's public services are facing unprecedented challenges. In May 2023, the Scottish Government's Medium Term Financial Strategy showed that forecast spending could exceed funding by 2% (£1 billion) in 2024/25, rising to 4% (£1.9 billion) in 2027/28. This strategy reflected the Scottish Fiscal Commission's projections that health spending will grow faster than that of other public services. The publication of an updated Medium Term Financial Strategy has been postponed following changes in First Minister and the Cabinet.

The Auditor General for Scotland publishes an annual report on the performance of the NHS in Scotland.

The NHS in Scotland 2023 report highlights that significant service reform is required to ensure the financial sustainability of Scotland's health service. Rising demand, operational challenges and increasing costs have added to the financial pressures on the NHS, and without reform, its longer-term affordability.

Activity in secondary care increased during 2022/23, however was outpaced by growing demand and this pressure is creating operational challenges throughout the whole system and is having a direct impact on the patient safety and experience.

A shift from recovery to reform is required which will require the Scottish Government to lead of the development of a clear national strategy for health and social care.

The current absence of an overall vision makes longer-term planning more difficult for NHS boards. NHS boards have returned to medium-term financial planning and have prepared three-year financial plans covering the period to 2026/27. The Scottish Government has brought back financial support for Boards with a financial deficit. In 2022/23, five territorial Boards received additional support from Scottish Government to breakeven and one made use of the three-year flexibility.

The three-year financial plans submitted by Boards in Spring 2023 did not include sufficient savings to allow boards to breakeven. It was forecast that annual deficits in excess of £0.5 billion would still be required to be addressed after considering planned savings delivery.

Staffing remains the most significant cost for NHS boards with total staff costs rising to £9.8 billion in 2022/23. Costs are impacted both by pay deals and changes such as moving staff to a 36-hour working week which will result in more WTE staff being needed to meet staffing

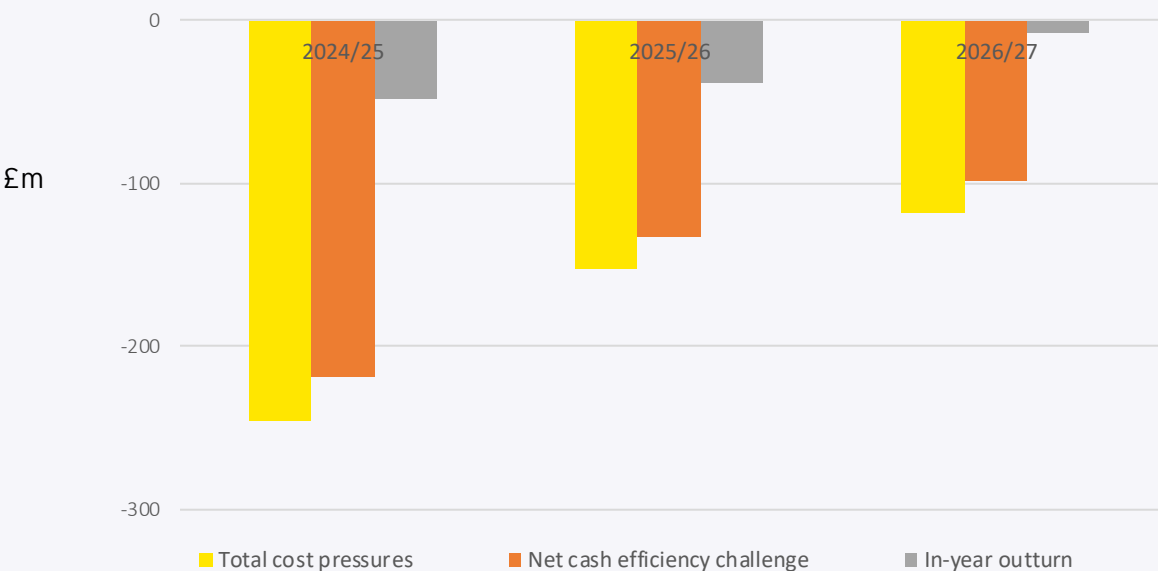
requirements and provide the same number of working hours.

Development of medium-term financial plans

The Scottish Government requested that a 3-year financial plan was submitted by all boards in February 2024 with a final version in March 2024. The Board's financial plan, as set out in Exhibit 5, shows a total deficit over the 3-year period of £93.4 million. Forecast recurring and non-recurring savings over the period are £367.6 million, with 80% being recurring. 44% (£128.6 million) of those recurring savings are to be delivered in 2024/25 in order to reach the forecast deficit of £48.3 million.

Delivery of recurring savings of £128.6 million will be incredibly challenging for the Board who in the last three financial years has not been able to deliver more than £55 million of recurring savings in a single year. This partially reflects the nature of savings the Board is now required to deliver which will require service reform and more challenging decisions.

Exhibit 5: The Board's financial plan sets out the scale of the financial challenge being faced over the next three years.



Source: NHSGGC Three-year financial plan March 2024

The financial plan carries a number of significant assumptions particularly in respect of pay and non-pay inflationary increases:

- **Pay:** The financial plan takes into account Scottish Government guidance with no pay uplift assumed. The Board recognises the uncertainty in respect of ongoing pay negotiations however the assumption is that any pay increases will be fully funded.
- **Prescribing:** Detailed prescribing cost growth projections for 2024/25 were still being reviewed at the time of drafting the 3-year plan. The significant pressures in this area are clear including due to short supply, inflation and higher volumes. Work needs to continue to reduce this cost pressure as the Board recognises it cannot sustain the level of increase experienced year on year.

- **Other supplies:** The Board has performed a review of the impact of inflation in 2023/24 and used this to inform the rates applied for future years. A 3% general provision has been applied for non-pay costs excluding prescribing, energy costs, rates and PFI/PPP costs. The inflation rate applied in year 2 and year 3 of the plan reduces to 2%.

Funding and income increases are not sufficient to address the increasing cost drivers with significant recurring deficits brought forward alongside new cost pressures as set out in Exhibit 6.

Exhibit 6: The Board continues to face significant cost pressures

Cost drivers	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
Recurring deficit brought forward	(138.9)	(89.7)	(51)
Pay cost growth	(1.7)	(5.6)	(1.7)
Prescribing - Acute	(20.5)	(21.1)	(23.2)
Prescribing - Primary Care	(17.2)	(9.1)	(9.1)
Supplies, PPP and other inflation	(49.6)	(23.1)	(23.1)
Pressures and national/policy decisions	(25.9)	(5.2)	(11)
Total cost pressures	(253.8)	(153.8)	(119.1)

► *Source: NHSGGC Three-year financial plan March 2024*

| The financial plan carries a number of risks to delivery

While the cost pressures set out within the financial plan are significant, there is a risk that costs could increase further, and funding reduce. The financial plan highlights a number of risks to delivery including:

- Pay - the implementation of the non-pay elements of the 2023/24 pay award presents a financial risk to the Board. Specific concerns are in respect of the level of costs, the associated funding, implementation costs in addition to the operational impact.
- Planned care - the financial plan incorporates additional activity from phase 2 of the national treatment centre on the agreement that additional funding is provided.
- IJB - the financial plan includes a 0% uplift for the IJBs. Current projections show an overall financial challenge of £86 million with plans to address this including a combination of savings plans, utilisation of reserves, managing cost pressures and smoothing superannuation budgets.
- Capital - reduction in national capital funding available may have an impact on the overall financial position as the capital plan needs to be reprioritised potentially resulting in increased maintenance costs.
- Allocations - timely communication of all allocations is required to ensure that no additional pressures will result from any reduction in allocations.
- Income - there is a risk around the uplift of income due to be received from Service Level agreements and other income from National Education for Scotland and National Services Division.

Given the already identified deficit, requirement to deliver significant savings and the associated risks of reduced funding and increased costs, the importance of a robust mechanism for delivering recurring savings is critical. The financial plan requires delivery of recurring savings of a value over 50% greater than what has been achieved in recent years.

The recurring requirement to identify and deliver significant savings year on year means that readily identifiable and easy to implement savings projects have already been delivered. This means that in order to deliver the scale of savings required to achieve financial balance, difficult decisions will be required and larger scale service reform will be necessary. Such projects take time to plan, consult and deliver and there is therefore a risk that the Board will not be able to deliver savings in the required timeframe.

Such programmes will also require significant partnership working including with Scottish Government, local authorities and IJBs. Transparency of the scale of the financial challenge is important and reporting of the significant work undertaken by management to identify and implement savings programmes will be required.

Management should consider providing enhanced reporting of savings plans to committee and the Board.

Refer to Appendix E, recommendation 6.

| Sustainability and value group

The Board continue to monitor savings plans through their Sustainability and Value Board ('S&V Board'). The S&V Board has a wider remit than the previous programme and reflects the nationwide approach which acknowledges the requirement for a wider and more holistic approach to sustainable service provision over a prolonged timescale.

The S&V Board invited savings plans in February 2024 with development of confirmed plans in March 2024. The S&V Board will then provide challenge to the plans with regular monitoring of progress throughout the financial year. As at April 2024, the initial plans and trajectory of savings plans were not sufficient to achieve the financial targets for 2024/25 and therefore significant work will be required to ensure delivery of the savings targets both for this financial year and beyond which is recognised by the Board.

The S&V Board additionally continue to perform self-assessments against the national levels of work and focus, to ensure there are significant gaps in the areas being targeted.

Financial Management



Our overall assessment: Green

The Board met all financial targets in 2023/24 with an underspend of £0.48 million against their revenue resource limit. The financial position throughout the year was challenging and the majority of savings delivered to reach financial balance were done so on a non-recurring basis including through receipt of additional funding. While the Board continues to review and identify areas to deliver recurring savings to ensure their medium and long-term sustainability, the Board's reliance on non-recurring solutions is unsustainable.

The Board is by the far the largest health board in Scotland, however the number of qualified accountants is comparable to most other boards. We continue to note that there is significant dependency on a small number of key individuals for complex and technical accounting matters. While some changes have been implemented, further work is required; this should continue to be a key area of focus for the Board alongside ensuring that there are appropriate succession planning arrangements for key finance roles.

Our assessment of prior year recommendations has noted that 10 (66%) are either incomplete or partially complete with 8 being assessed as partially complete and 2 incomplete. This should be an area of focus for the Board with specific consideration given to whether the actions planned will address the issues identified within audit recommendations and can be delivered within an appropriate timeframe.

Financial performance

The Scottish Government in 2022/23 brought back the previous financial reporting regime, with financial support, known as brokerage, returning for boards predicting a financial deficit. All boards have to work within the resource limits and cash requirements set by the Scottish Government. All key financial targets were met by the Board in 2023/24 with the Board delivering an underspend of £0.48 million against its revenue resource limit.

Exhibit 7: The Board met all financial targets in 2023/24

Financial target	Limit (£'000)	Actual (£'000)	Variance (£'000)
Core revenue resource limit (RRL)	3,262,492	3,262,012	480
Non-core resource limit	132,406	132,406	0
Capital resource limit	103,565	103,558	7
Cash requirement	3,685,097	3,685,097	0

Source: NHSGGC Financial Statements 2023/24

| The Board’s financial position improved significantly during the year.

The overall financial plan for 2023/24 set out an overall financial deficit of £71.1 million. Total savings of £190.9 million were achieved to support reaching the small surplus. The financial plan set out a recurring savings target of £75 million with the Board delivering £52 million, a shortfall against target of £23 million (31%). This represented a slight reduction of £3 million against recurring savings delivery in 2022/23 (£55 million).

The slight decrease in the level of recurring savings delivered compared to 2022/23, provides an indication of the challenges the Board faces in delivering savings. The Board’s reliance on non-recurring solutions is unsustainable. Significant savings requirements have now existed for a number of years which means that in order to deliver a higher level of recurring savings, the Board must look to more significant savings programmes, likely involving service redesign which will take time to embed.

Additional funding received during the year has also supported the Board in reaching breakeven which included additional funding from UK consequential and a reduction in CNORIS charges. The full value of the consequential funding was not required for 2023/24 and therefore will allow further flexibility in 2024/25, following discussions with Scottish Government.

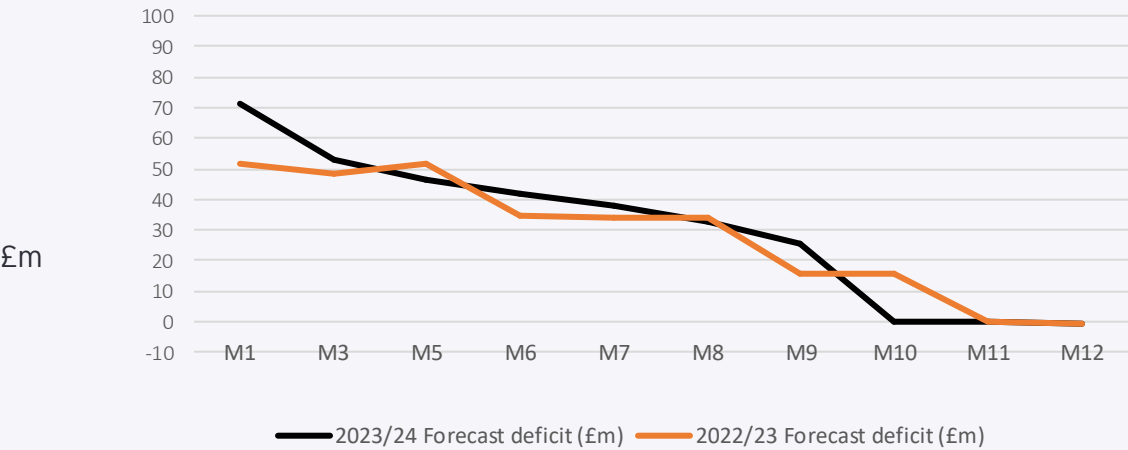
| Financial monitoring

The Board’s financial performance was monitored throughout the year by management and the Finance, Planning and Performance Committee .

There is evidence of financial monitoring, reporting and planning by the Board and Finance, Planning and Performance Committee through the financial year, up to the approval of the 2024/25 budget and the medium-term financial plan.

Throughout 2023/24 management reported budget pressures and variances through its management accounts. These were significant in the year with the Board achieving a small underspend against the original forecast deficit (post achievement of savings) of £71.1 million as illustrated in Exhibit 8.

Exhibit 8: The Board’s forecast deficit decreased significantly during the year



Source: NHSGGC Budget Monitoring Reports 2022/23 and 2023-24

Exhibit 8 highlights how the pattern of deficit reporting is consistent with 2022/23 with a large deficit noted at the start of the financial year which gradually reduces to a small surplus position at year end. Management should have a continued focus on financial reporting throughout the year including recognising the likelihood of deficits being reduced.

| Capital programme

The Board achieved an underspend of £0.007million against their capital resource limit of £103.6 million, this included a £3.3 million transfer from capital to revenue to ensure appropriate allocation of capital spend between revenue and capital. Total infrastructure investment for 2023/24 was £104.3 million including continuing works on Glasgow North East Health Centre (Parkhead), medical equipment and rectification works in respect of QEUH.

The Board is continuing to develop an Infrastructure Investment Strategy which will link with the vision set out in the Moving Forward Together Strategy and will operate alongside both the Clinical Service Plan and Estate Plan. Pressures exist on capital budgets across the public sector with rising inflation resulting in less funds being available and a pause on new capital investment for 2024/25. A comprehensive strategy should enable the Board to determine the best use of the capital funds available and support achievement of savings plans through reductions in maintenance and other estates costs.

| Financial skills and capacity

In the prior year, we noted that the Board's finance team is experienced in NHS finance, however we noted that there is dependency on a small number of key

individuals for the more complex and technical accounting matters.

The team has experienced turnover in recent years, including at a senior level which presents an opportunity for the Board to strengthen both the skills and capacity within the team. During the year, we specifically note that training has been undertaken to enhance the skills of finance team members.

Management should continue with plans to strengthen the team, both through recruitment and training. A key focus for the team should be ensuring that appropriate succession planning is in place for key roles within the team as set out in Appendix F, recommendation 12.

| Counter fraud arrangements

There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. The Board is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. The Board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

The Board has a formal partnership with NHS Scotland Counter Fraud Services ('CFS'). These arrangements include the Fraud Liaison Officer circulating reports to the Audit and Risk Committee and appropriate managers. Reports from CFS highlight any referrals from the Board and are presented quarterly to the meetings of the Audit and Risk Committee, with an annual report presented each June.

The National Fraud Initiative is a bi-annual counter fraud exercise across the UK public sector which aims to support public sector bodies in preventing and detecting fraud.

We carried out a review of the Board's participation in the current NFI exercise and concluded that the Board is appropriately engaged. The approach to investigating matches is well understood and the number of matches investigated as part of the exercise appears reasonable. Participation in NFI is also reported to the Audit and Risk Committee.

Within the Annual Governance Statement, the Board has set out the system of internal control in operation during the year. This assessment considers the status of external audit actions, internal audit actions and the service auditor conclusions as summarised on page 15.

| System of internal control

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an initial assessment of the financial control environment as part of our planning work in January 2024 and updated our understanding as part of the yearend audit. Following the revisions to the ISA (UK) 315, there were revisions to our audit methodology including a greater focus on the Board's use of IT in the system of internal control.

Our work did not identify any significant weaknesses in the Board's systems of internal control. However, we identified 7 new recommendations during the course of our audit and followed up on progress against the 15 recommendations raised in 2022/23. In total, 10 recommendations are assessed as being partially complete or incomplete. Addressing these recommendations effectively and in a timely manner should be a key area of focus.

Vision, Leadership and Governance



Our overall assessment: Amber

The Board has a focus on continuous improvement as demonstrated through the ongoing implementation of NHS Scotland's Blueprint for Good Governance. Features of good governance have been demonstrated by the Board during the year.

The Board continues to assess, and where appropriate, update the arrangements it has to respond to the Scottish Public Hospitals Inquiry, the ongoing police investigation and the legal proceedings against the parties responsible for delivering the QEUH/RHC construction project. However, the challenges are unprecedented, and are placing significant additional pressures on senior management that need to be balanced with other priorities. This workload is likely to increase substantially over the next 12 months as the inquiry and legal proceedings progress.

Looking ahead, there is significant turnover within the Board including 6 non-executive members leaving in Summer 2024 having completed their 8-year terms, including the Board Vice Chairs and a number of members of the Audit and Risk Committee. A recruitment process has secured 6 new members who will commence their appointment on 1 July 2024.

In addition, the Medical Director and Chief Executive are retiring during 2024. The Board should continue to ensure there are appropriate transition arrangements for key senior roles and that additional support is sought where required, particularly recognising the significant operational and financial pressures ahead as well as increased activity related to the QEUH inquiry and associated matters.

Annual governance statement

The Board has demonstrated through the year that it has the key requirements for good governance. The key aspects of governance arrangements require to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements outlined in the Scottish Public Finance Manual and our understanding of the Board up to 31 March 2024.

Due to delays with finalisation of service auditor reports and internal audit reports, a complete annual governance statement was not available until June 2024.

We are satisfied that the governance statement is consistent with both the governance framework, key findings from relevant audit activity to date and

management's assessment of its own compliance with the Scottish Public Finance Manual.

Governance arrangements

Like all other public bodies in Scotland, the Board moved to revised governance arrangements at the beginning of the UK lockdown period. The full committee timetable resumed from March 2021. Board and committee meetings have continued to operate in a hybrid structure through 2023/24.

We are satisfied that there is an appropriate level of challenge and scrutiny at meetings throughout the year.

The Chair of the Board's term of appointment concluded in November 2023, having served as Chair since December 2015 with the new Chair commencing her term at the same time.

The loss of an experienced Chair with significant knowledge of the Board has been significant and therefore it was important that the Board had appropriate transition arrangements established. We are satisfied that appropriate transition arrangements were in place.

A review of governance arrangements continues with a key proposed change being the establishment of an equality, diversity and inclusion committee subject to approval in June 2024.

Looking ahead, a period of significant change at Board level lies ahead. In summer 2024, 6 non-executive directors conclude their 8-year appointment term, including both Vice Chairs who have been on the Board since July 2016. A recruitment campaign has been successful with replacements taking up post from 1 July 2024. The Board's Medical Director and Chief Executive will also step down during 2024 with recruitment underway for their replacements.

This level of turnover of experienced individuals with significant knowledge of the Board will be a loss and will require careful management to ensure relevant knowledge is shared. New members will also have to get up to speed quickly given the scale and complexities of challenges and opportunities lying ahead in 2024 and beyond.

Recommendation 7, Appendix E

Blueprint for Good Governance

The second edition of NHS Scotland's Blueprint for Good Governance was published in December 2022. The Board has been working to implement the framework and the active governance programme over the past three years. A key aspect of implementing the framework is active governance which the Board has been focusing on during 2023/24.

An active governance programme action plan was developed for 2023/24 with many forming part of standard business as usual activity. A self-assessment exercise was undertaken during November 2023 with a development session subsequently undertaken to help inform the action plan for 2024/25.

Internal audit

Internal audit's opinion for the year was based on its agreed audit plan for the year, as approved by the Audit and Risk Committee. Some delays were encountered in finalisation of the 2023/24 internal audit work programme with the final opinion being shared in June 2024.

For 2023/24, the internal auditor's opinion notes that, 'NHSGGC has a framework of governance and internal control that provides reasonable assurance regarding the effective and efficient achievement of objectives.' .

During the year, there was a change in internal audit reporting to the Audit and Risk Committee with full reports provided to the committee for scrutiny. Refer to prior year recommendation 13, Appendix F which has now been closed.

The Board has an established follow up process for addressing internal audit actions and we have not identified any areas of concern in either the pace or responses to audit recommendations.

Safe Staffing

The Health and Care (Staffing) (Scotland) Act 2019 (HCSSA) was passed by the Scottish Parliament in 2019 and enacted on 1 April 2024. The Act is the first workload and workforce planning legislation for the NHS and social care in Scotland. The aim is to ensure appropriate staffing levels are in place to support high quality care for patients and users.

The Board has established a programme Board in place to oversee the programme to ensure compliance with the Act. Work during the year has included significant stakeholder engagement and testing all chapters/duties within the Act.

In Spring 2025, the Board will be required to publish, and submit to the Scottish Ministers, a report setting out how during the financial year, it has carried out its duties.

While the Board has made good progress in testing the duties and chapters within the Act, the Board awaits further guidance in order to finalise testing. For those which have been tested, the Board continues to monitor progress, risk assess and progress with the implementation action plan.

The successful implementation of the requirements of the Act, requires whole system support across the organisation at a time of growing demand. Continuous monitoring of progress and escalation of matters arising including areas of non-compliance will be important over the next 12 months.

Cyber security

There continues to be a significant risk of cyber-attacks to public bodies. In 2024, this risk was highlighted by a cyber-attack incident that occurred in NHS Dumfries and Galloway. Once notified, the Board worked with other NHS Scotland bodies as part of the standard incident response protocols. This included reviewing the Board's own arrangements and performing a lessons learned exercise. The cyber risk has been updated on the Board's corporate risk register and will be continued to be monitored if further information becomes available.

We are satisfied that cyber security continues to be an area of focus for the Board and there is evidence of the Board seeking external assurance of controls in place through internal audits, Network and Information System audits, discussions with National Cyber security teams and external penetration testing companies.

QEUH and associated matters

We identified matters in respect of the QEUH and RHC to be an area of wider scope focus. Our procedures in this area were limited to:

- Considering the progress of the Inquiry, including update reporting to the Board;
- Assessing the impact of the inquiry and associated matters on management and the Board's capacity;
- Issue external legal confirmations to confirm the status of all cases and investigations both at the balance sheet date and in advance of concluding the audit; and
- Considering the potential accounting implications of any developments and the completeness and appropriateness of financial statement and other information disclosures.

Scottish Hospitals Public Inquiry

In August 2020, the Scottish Hospitals Inquiry ('the Inquiry') into the construction of the Queen Elizabeth University Hospital ('QEUI') campus, including the Royal Hospital for Children ('RHC'), and the Royal Hospital for Children and Young People in Edinburgh was launched. A Project Management Office ('PMO') was established by the Board in 2019 to manage the external review in relation to the QEUI and RHC. The PMO is responsible for managing the inquiry requirements in terms of administration and document flow and assessment.

The PMO'S resources increased during 2020/21, with a single team created to manage both the Inquiry and legal claims. An Executive Oversight Group was established to ensure effective and transparent decision making which meets weekly to support decision making.

The workload arising from information requests to support the Inquiry is significant. This includes both document requests and specific questions that require a written response. An executive working group has been established to ensure effective coordination of all responses. This group reports to the Executive Oversight Group.

The first substantive hearings commenced on 20 September 2021 and concluded on 14 November 2021. The evidence provided was in respect of the perceptions of families and patients affected by the issues being explored by the terms of reference of the inquiry.

A second procedural hearing took place on 20 March 2023 with follow up hearings from 12 to 23 June 2023 where Board staff had the opportunity to give evidence in respect of the perception hearings from autumn 2021.

A third hearing commences on 19 August 2024 and is set to last for approximately 10 weeks. This will consider evidence on the safety and condition of water and ventilation systems, after which the Chair of the Inquiry will publish an interim report.

The length of the third hearing is the most significant to date and will require significant time both as the Board responds to information requests and attends hearings.

| QEUH Legal Proceedings

In December 2019, the Board initiated court proceedings against the parties responsible for delivering QEUH/RHC construction project and engaged solicitors (Morton Fraser MacRoberts LLP) to act on its behalf. Legal proceedings have been initiated for losses and damages incurred in relation to a number of technical issues identified within both the QEUH and RHC.

These include issues with the water and ventilation systems, plant and building services capacity, glazing, doors, the heating system, the atrium roof, internal fabric moisture ingress and the pneumatic transport systems.

The contractors challenged the court action against them however the legal debate was heard and found in favour of the Board.

In addition, permission to appeal was put forward by the contractors but it was subsequently refused. The Court sisted the action to allow the claims to be adjudicated and work on this continues.

| Police investigation

In September 2021, Police Scotland announced an investigation in relation to four deaths on the QEUH Campus and is being investigated under the Health and Safety at Work Act 1974 and the Corporate Manslaughter and Homicide Act 2007. NHS GGC received a letter from the Deputy Crown Agent in November 2023 indicating that the organisation was being considered a suspect in the investigation, formalising the process. The Board continues to respond to interview and information requests.

A single point of contact has been set up through which requests for staff access and interviews are made. Guidance and witness support has been made available for staff. The investigation remains ongoing at the time of preparing this report.

| QEUH Clinical and Medical negligence claims

In addition, the Board has received 30 intimations of claim in respect of QEUH and RHC which have been considered through our work set out on page 30. The Board continues to work closely with the CLO on the related themes, however all claims are currently sisted.

There remains significant uncertainty over the outcome of both existing claims for and against the Board and potential future legal proceedings. The overall cost to the Board is therefore unknown. A contingent liability has been disclosed within the financial statements to recognise the possible obligations which may arise throughout the processes.

| Inquiry and regulatory activity

In addition to the specific matters noted in respect of the QEUH, the Board continues to respond to a significant number of other inquiries and regulatory inspections. The level of activity in this area is significant and includes areas such as public inquiries (such as the Covid inquiries), fatal accident inquiries, Healthcare Improvement Scotland inspections and police investigations.

The level of such activity has increased in recent years and continues to place additional pressure on key individuals within the Board. The Board has been able to utilise existing processes designed for the QEUH inquiry to respond to these matters and also now prepares regular legal updates to the Audit and Risk Committee as appropriate.

The Board has also experienced significant additional FOI ('Freedom of Information') activity which alongside some staff absence and vacancies, has led to pressures and delays in responding to requests within the required timescales. As a result, the Board is working with the Scottish Information Commissioner to improve compliance following receipt of intervention notices.

Use of resources to improve outcomes



Our overall assessment: Red

In addition to the significant financial pressures facing the NHS, performance nationally against prescribed waiting times targets is challenging. Balancing the financial pressures with increased demand for services is extremely difficult and plans to improve performance will require time to embed.

The Board considered regular performance updates against the Annual Delivery Plan measures throughout the year. Performance has slightly declined against the Board's KPIs during 2023/24, with 57% of targets being met compared to 66% in 2022/23. It should be noted that 21 targets were reported against in 2023/24 compared to 15 in 2022/23.

There continues to be significant challenges in performance across three key areas: cancer treatment times; accident and emergency treatment times and delayed discharges. Increasing demand for services, including cancer referral rates, present challenges in improving performance however despite these challenges, significant improvement in these areas is required, a position common across NHS Scotland. A number of initiatives continue to be taken forward to address these areas however progress has been limited to date, partially driven by the continued increase in demand. Improvements in performance have also been observed with increased outpatient activity resulting in significant decreases in the number of new outpatients waiting over 52 and 78 weeks.

The Board has progressed with an Assurance Information Framework during 2023/24 to ensure the completeness of information reporting on key aims, objectives and performance to the Board and Committees.

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. The NHS in Scotland 2022 report highlights the difficulty in accurately measuring the progress of the Scottish Government's NHS Recovery Plan. The document does not contain detailed actions that allow overall progress to be accurately measured. The challenges facing the NHS in Scotland are unprecedented and this means that the Scottish Government will have to make difficult choices and prioritise which ambitions it can deliver against. The report highlights the need for transparency or what progress is or is not being achieved.

Moving forward together

Moving Forward Together ('MFT') is the Board's key strategic document which, in tandem with the annual delivery plan, describes the vision for clinical services and supports the delivery of the Board's corporate aims.

The plan was originally approved by the Board in 2018 however the plan required a further review following the Covid-19 pandemic to ensure it remained reflective of the current operating environment and remobilisation and recovery targets.

The plan is ambitious and will require significant transformation within the Board. In order to deliver a financially sustainable NHS service, significant transformation is required, however the Board's ability to deliver such transformation continues to be impacted by:

- Financial pressures;
- Workforce shortages;
- Pressures on the social care system; and
- The ongoing impact of the Covid-19 pandemic.

The planning landscape for the NHS is complex due to the interdependencies with national Scottish Government priorities and other stakeholders such as the Health and Social care partnerships and local authorities. The Board needs to continue to strengthen partnership working in order to deliver the corporate aims set out within MFT.

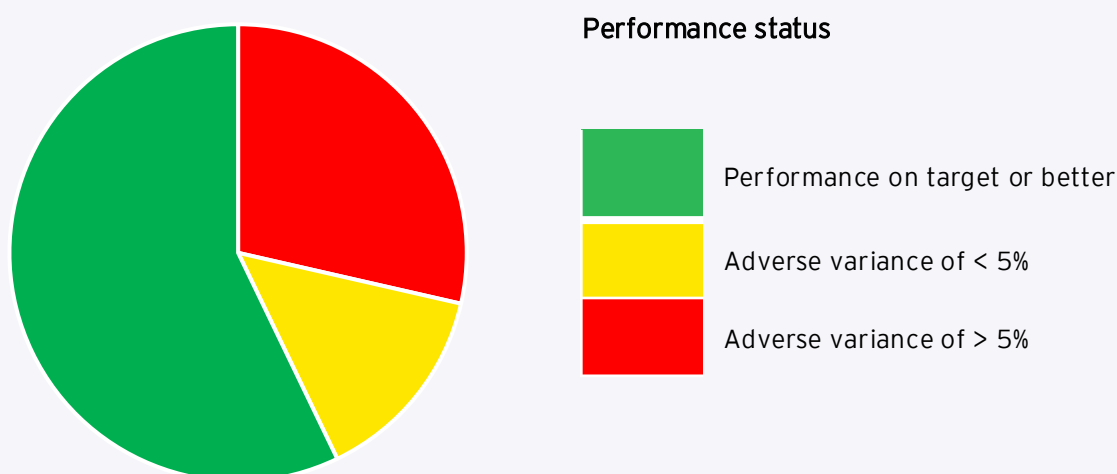
Performance reporting

Performance updates have been considered throughout the year at both Board and relevant committees. Performance reports are available to the public through publication on the Board's website.

Reports provide a summary of performance against key performance indicators outlined in the Performance Assurance Framework and based on the measures contained within the 2023-24 annual delivery plan alongside the planned care measures and key local and national performance measures. We are satisfied that Board performance reports are sufficiently detailed to enable members and the public to understand and challenge the Board's performance. Performance against the annual delivery plan targets is also set out within the 2023/24 annual report and accounts as illustrated in Exhibit 9.

This indicates a slight decline in performance compared to 2022/23 where less than 66% of targets were met. It should be noted that 21 targets were reported against in 2023/24 compared to 15 in 2022/23.

Exhibit 9: Board performance against annual delivery plan targets shows that 57% of targets were met.



Source: NHSGGC Financial statement 2023-24

Performance in some areas continue to experience significant challenges and these should be the primary focus for the Board:

- **Access to cancer services** - the Board reported a provisional position for the quarter ending March 2024 that 66.3% of cancer patients started their first cancer treatment within 62 days of urgent referral with a suspicion of cancer against a target of 80% (2022/23: 59.1%). Performance in this area shows underperformance against target however performance has improved against prior year. The Board has been impacted by a sustained increase in referrals with a 60% increase noted in comparison to pre-pandemic levels. Public Health Scotland reported in March 2023 that new cancer diagnoses increased by 5.5% in 2021 compared to 2019. This continues to be a key area of focus for the Board with waiting list initiative activities underway and outsourcing taking place. Longer term solutions to increase capacity will be required.
- **Accident and Emergency 4 hour Waiting times Standard** - the Board reported a 12-month average of 69.7% of patients were treated in line with the 4 hour waiting times standard against a target of 95% (2022/23: 70.5%). This demonstrates a significant shortfall in performance against target with a minor decline in comparison to prior year performance. The performance in accident and emergency stems from both increased demand for services and challenges with patient flow, including those caused by delayed discharges. A number of initiatives are underway to improve performance including the 'Right care, right place' campaign, continuous flow model implementation and strengthening staffing during peak periods.

Despite these initiatives, the Board has been unable to improve performance, and this therefore will remain a priority for the Board in the year ahead. Part of this focus should be assessing how new initiatives can be measured both in terms of improvements to performance and patient experience.

- **Delayed discharges** - the Board reported that the number of delayed discharges was at 297 based on the monthly average against a target of 243 (2022/23: 295). The number of delayed discharges has increased significantly in recent years from approximately 100 patients in 2019 to around 300 currently. The Board continues to work with partners including the Health and Social Care partnerships and local authorities to improve this position. The Board established the 'Discharge without Delay' programme to ensure patients are discharged to a suitable and homely setting at the earliest opportunity.

In addition to the areas of significant challenge in respect of performance, the Board has also been able to demonstrate improvement against some other indicators. New outpatient activity has increased by 13,187 (4%) in comparison to 2022/23 with significant reductions noted in the number of patients waiting more than 52 and 78 weeks.

Climate change

Scotland has set a legally binding target of becoming net zero by 2045. NHS Scotland is however aiming to become a net zero health organisation by 2040 with an NHS Scotland Climate Emergency and Sustainability Strategy being published in August 2022.

The Board’s Sustainability Strategy was approved in August 2023. The establishment of this Strategy will provide the Board with a clear pathway to achieving the ultimate goal of achieving net zero heat GHG emissions by 2038 and an overall position of net zero emissions by 2040. An important part of the embedding of this Strategy will be to ensure there are clear annual targets in place to achieve these ambitions and ensuring that there are sufficient resources for the Board to do so.

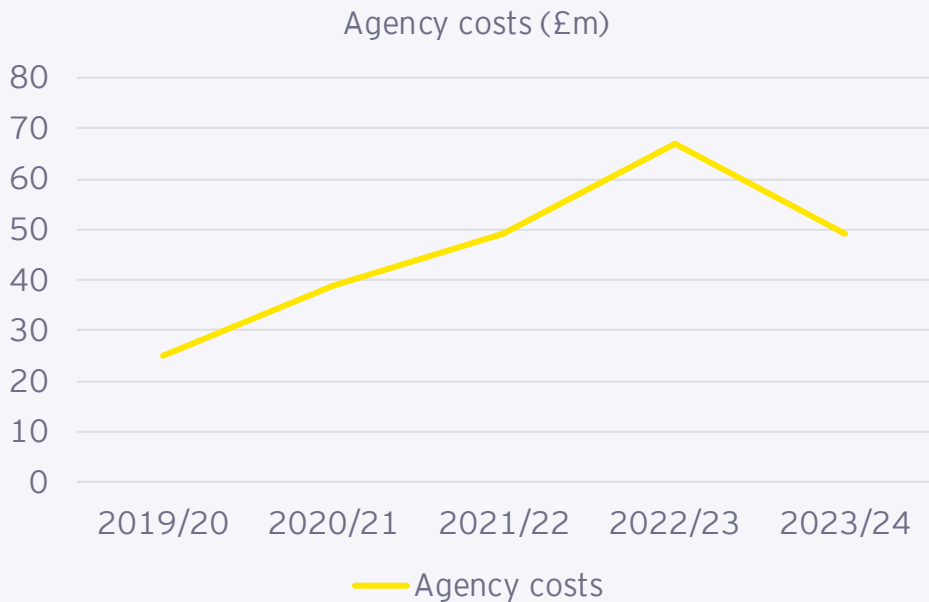
While sustainability has often existed as a separate workstream in many organisations, the Board in 2023/24 has recognised the importance of incorporating key climate change and sustainability objectives into its Annual Delivery Plan and medium-term delivery plans. These include specific measurable short-term targets which will enable the Board to assess progress against their climate and sustainability ambitions.

While the Sustainability and Value programme aims to link the achievement of financial balance and sustainability, achieving the ambitious climate targets will require capital investment. The Board should continue to focus on the links between the financial plans and climate strategy to ensure the achievability of both.

| Workforce and use of agency

A key focus area for the Board during 2023/24 has been reviewing the use of agency staff and to ensure such costs are not incurred at premium rates. As illustrated by Exhibit 10, the Board has successfully reduced agency staff costs to £49.3 million from £66.7 million in 2022/23.

Exhibit 10: Agency costs have decreased for the first time since 2019/20



Source: NHSGGC Financial statement 2023-24

| Assurance information framework

During 2023/24, the Board developed an assurance information framework. This framework aims to better align how the strategic and corporate aims of the Board and associated performance measures are reported to relevant committees and Board. A key benefit moving forward of this framework is ensuring that the governance responsibilities are clearly articulated and that there is regular and clear reporting to relevant committees. This will continue to be developed further during 2024/25.

| Appendices

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Code of audit practice:
Responsibilities

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Required communications with
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Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- ▶ Ensuring the regularity of transactions, by putting in place systems of internal control to ensure

that they are in accordance with the appropriate authority.

- ▶ Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- ▶ Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ Such financial monitoring and reporting arrangements as may be specified.
- ▶ Compliance with any statutory financial requirements and achievement of financial targets.
- ▶ Balances and reserves, including strategies about levels and their future use.
- ▶ How they plan to deal with uncertainty in the medium and longer term.
- ▶ The impact of reporting future policies and foreseeable developments on their financial position.

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards and, other than local government, requirements set out in the Scottish Public Finance Manual.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed Auditors' Responsibilities

Appointed auditors' statutory duties are derived from appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000. Appointed auditors' reports (i.e., the independent auditor's report in relation to the accounts) must set out the auditor's findings on:

- ▶ whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with:
 - ▶ any enactment by virtue of which the expenditure was incurred or the income received
 - ▶ the Budget Act(s) for the financial year, or any part of the financial year, to which the accounts relate
 - ▶ Sections 4-7 of the 2000 Act, relating to the Scottish Consolidated Fund (the Fund)
- ▶ where sums have been paid out of the Fund for the purpose of meeting such expenditure, whether the sums were applied in accordance with Section 65 of the Scotland Act 1998
- ▶ whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with any applicable guidance (whether as to propriety or otherwise) issued by the Scottish ministers
- ▶ whether the accounts comply with any applicable direction by virtue of any enactment.

Appointed auditors must send the accounts, including the independent auditor's report, to the Auditor General who may prepare a statutory report on the accounts under Section 22 of the 2000 Act.

B Independence report

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard 2019 requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We disclose the total amount of fees that EY charged for the provision of services during the period, analysed in appropriate categories.

Future changes

The FRC published a [revised Ethical Standard](#) in January 2024 that will become effective in December 2024.

Required Communications

Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain

objectivity and independence.

Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of NHS Greater Glasgow and Clyde.



Required communications

We have detailed below the communications that we must provide to the Council.

Our reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - December 2023
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - December 2023
Significant findings from the audit	<ul style="list-style-type: none">▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.▶ Significant difficulties, if any, encountered during the audit.▶ Significant matters, if any, arising from the audit that were discussed with management.▶ Written representations that we are seeking.▶ Expected modifications to the audit report.▶ Other matters if any, significant to the oversight of the financial reporting process.▶ Findings and issues regarding the opening balance on initial audits.	This Annual Audit Report.

C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Annual Audit Report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. ▶ The effect of uncorrected misstatements related to prior periods. ▶ A request that any uncorrected misstatement be corrected. ▶ Corrected misstatements that are significant. ▶ Material misstatements corrected by management. 	This Annual Audit Report.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▶ A discussion of any other matters related to fraud. 	This Annual Audit Report.
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report.

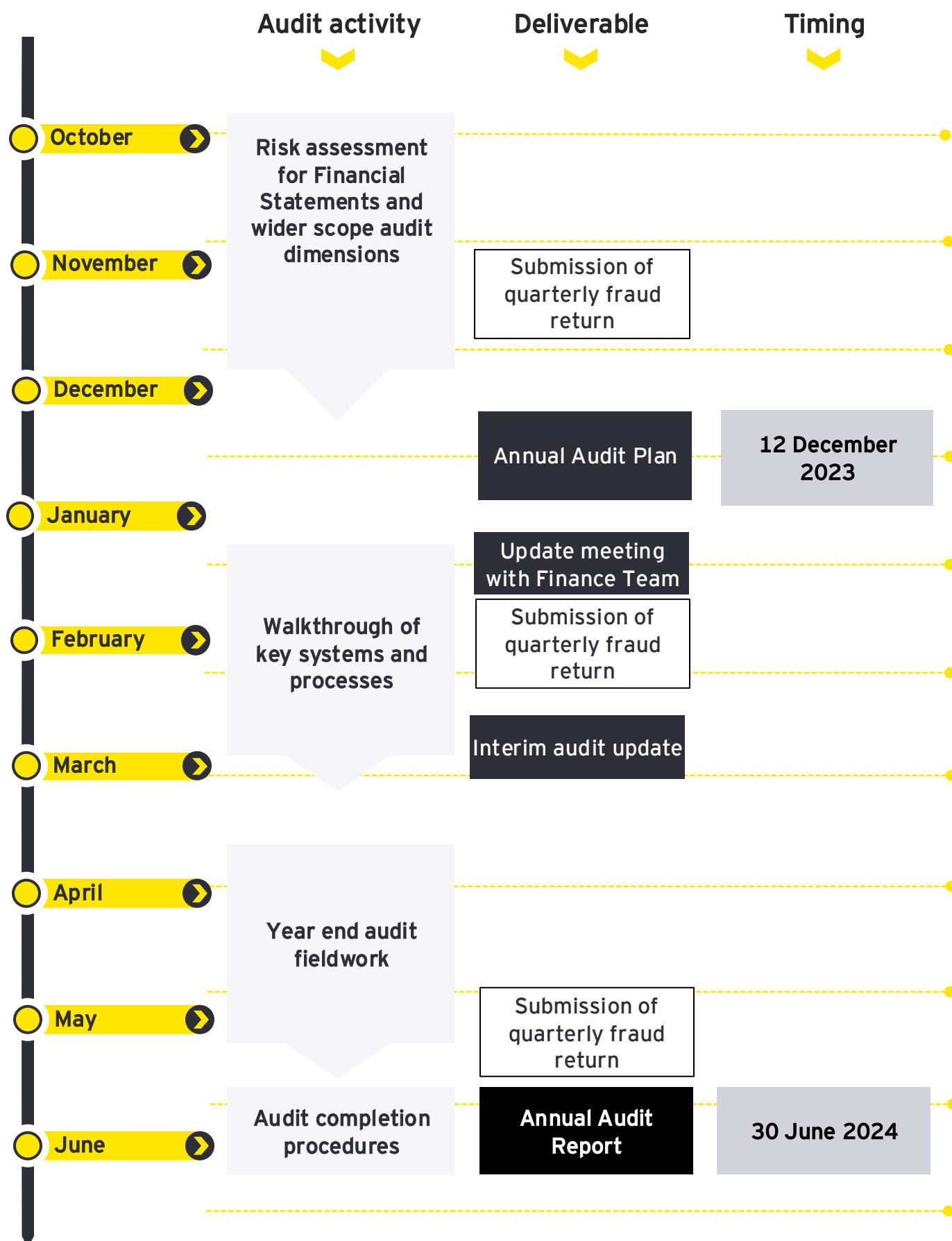
C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	This Annual Audit Report.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Annual Audit Plan and this Annual Audit Report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	This Annual Audit Report.
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report.
Best value and wider scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report

C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of. 	This Annual Audit Report.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report.
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report.
Group matters	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components. ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components. ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted. 	This Annual Audit Report
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report.

D Timeline of communication and deliverables



E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Board or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p>Group oversight arrangement</p> <p>In mid-May 2024, East Dunbartonshire IJB notified the Board of a financial system change issue impacting their ability to provide complete and accurate information to enable the Board to prepare consolidated financial statements.</p>	<p>Management should ensure that group entities, including IJBs, understand their responsibilities in reporting issues, such as financial system changes, to the Board in a timely manner and that there is a greater awareness of the timeline for the Board producing consolidated financial statements.</p> <p>Grade 2</p>	<p>Response: Agree - The position with East Dunbartonshire was relatively unique where changes to the financial system used by the council caused a delay in the production of monthly reports. It had been anticipated that this would have been resolved however subsequent issues resulted in a delay and impact on the audit timeline. The awareness of this has been highlighted to all IJB CFOs and will ensure this is amplified in 2024/25. Formal meetings will be instigated again in 2024/25 with specific agenda item added re updates on any significant changes</p> <p>Responsible officer: Assistant Director of Finance - Financial Planning & Performance.</p> <p>Implementation date: 30 September 2024</p>

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
2.	<p>Balance sheet reconciliations</p> <p>We noted that use of nominal codes and supporting reconciliations could be enhanced to make identification of year end balances clearer particularly in respect of payables and receivables. Further improvements could be made through greater communication between the financial services and management accounts teams to ensure a greater understanding of balances and reduce the risk of accruals being double counted.</p>	<p>Management should perform a review with both the financial services and management accounting teams of year end reconciliations and balances for receivables and payables to identify areas for efficiency and improvement to help reduce the likelihood of errors.</p> <p>Grade 3</p>	<p>Response: Agree - review to be completed of the year end reconciliation for receivables and payables particularly for SFR30 balances, new process to be implemented prior to year-end 2024/25.</p> <p>Responsible officer: Assistant Head of Financial Services</p> <p>Implementation date: 31 March 2025</p>

E

Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3.	<p>Depreciation policy review</p> <p>The Board holds a significant number of assets which are fully depreciated but remain recorded on the balance sheet. Where assets remain in existence, this would be an indication that assigned useful lives have been overly prudent.</p>	<p>Management should perform a review of their depreciation policy to ensure that useful lives assigned are representative of actual asset lives.</p> <p>Grade 2</p>	<p>Response: Agreed - we will review the depreciation policy to ensure reflective of asset useful lives.</p> <p>Responsible officer: Head of Financial Services</p> <p>Implementation date: 30 September 2024</p>

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
4.	<p>Yorkhill accounting and capital plans</p> <p>At the commencement of the audit, a detailed accounting assessment for the Yorkhill site had not been performed. Assets coming to the end of their useful lives require more detailed consideration to ensure the valuation remains appropriate.</p> <p>We further note that while the Board are working towards exiting the site in the next 12 months, there has been limited recent reporting within capital plan updates to Committees or the Board.</p>	<p>Management should ensure that a review is performed of land and buildings which are either close to the end of their useful life or where there are plans to exit the site as part of the annual valuation exercise.</p> <p>Management should ensure that there is appropriate inclusion of future material disposals within capital plan reporting.</p> <p>Grade 2</p>	<p>Response: Agreed - Review to be undertaken on all land and buildings on an ongoing basis to define financial years anticipated for potential surplus assets for sale or disposal. Separate section to be incorporated into the formal Capital Plan and updates, which will be reported to CMT, FP&P and the Board.</p> <p>Responsible officer: Assistant Director of Finance: Financial Services, Capital and Pay</p> <p>Implementation date: 31 March 2025</p>

E

Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
5.	<p>Asset existence</p> <p>A material adjustment was recognised, as noted within appendix G, relating to fully depreciated assets which have been assessed as no longer being in existence.</p> <p>While the finance team perform a level of inquiry regarding asset existence, the current process has not been sufficient to identify assets which no longer remain in existence.</p>	<p>Management should ensure that a review of current processes for confirming asset existence is performed and that assets owners are reminded of the importance of notifying finance of changes to assets or disposals.</p> <p>A review of fully depreciated assets should be specifically performed on at least an annual basis.</p> <p>Grade 2</p>	<p>Response: Agreed: Process for confirming asset existence and notifying disposals to be reviewed. Also to review fully depreciated assets on an quarterly basis.</p> <p>Responsible officer: Assistant Director of Finance: Financial Services, Capital and Payroll Services.</p> <p>Implementation date: 30 September 2024</p>

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
6.	<p>Savings plan reporting</p> <p>The scale of savings to be delivered by the Board during 2024/25 is significant and beyond what the Board has been able to previously deliver. While savings are reported within regular finance reporting to Committee and Board, this is currently at a high level.</p>	<p>Recognising the scale of this challenge and the importance of savings plan delivery, a review of current reporting to the Finance, Planning and Performance Committee and the Board should be performed to enable review and challenge of savings plan delivery.</p> <p>Grade 1</p>	<p>Response: The Board have progressed well in the achievement of financial break-even and coverage of the required level of financial savings from recurring and non-recurring opportunities. Management will review enhancing elements of the reporting whilst acknowledging Board reporting should be at a highlight and summary level. Further information will be provided to FP&P, with additional detail already in place at CMT, local Sector / Directorate level as well as updates to the Area Partnership forum.</p> <p>Responsible officer: Assistant Director of Finance - Financial Planning & Performance</p> <p>Implementation date: 31 December 2024</p>

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
7.	<p>Management capacity and transition arrangements</p> <p>There is significant turnover expected of both executive and non-executive board members during 2024. This will result in a significant loss of experience and knowledge at a time of increased pressure on the Board due to legal, regulatory, operational and financial pressures.</p> <p>There is a risk that during this transition period, that there is not sufficient capacity or knowledge to manage and respond to the challenges facing the Board.</p>	<p>Management should ensure that clear transition and handover plans are in place for both executive and non-executive members. Appropriate training plans should be implemented as part of this. Regular reviews of management capacity should be performed to ensure that management can continue to manage the organisation in a safe and sustainable manner.</p> <p>Grade 1</p>	<p>Response: Transitional arrangements have always been adopted for the recruitment of executive appointments and this will be embedded in 2024 given anticipated retirements. Non-Executive members are subject to rolling change given terms of office and training and induction sessions are utilised to enhance the onboarding experience. Management capacity remains a rolling area for review given the breadth and depth of challenges and the range of formal and informal meetings allows this area to be reviewed on an ongoing basis as this can be subject to many factors throughout the year.</p> <p>Responsible officer: Director of Corporate Services and Governance (Non-Exec members) Chief Executive (Executive members and capacity review)</p> <p>Implementation date: 31 December 2024</p>

F Prior Year Recommendation Follow Up

This appendix sets out the recommendations that were made in 2022/23, along with our assessment of progress. We have assessed recommendations as:

- Complete: where recommendation has been addressed in full.
- Partially complete: where recommendation has been partially addressed.
- Incomplete: where recommendation has passed its implementation date and limited progress has been made in implementation.

In total, 4 recommendations are complete, 8 are partially complete, 2 are incomplete and 1 has been superseded by a current year recommendation.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
1	<p>Financial Statement narrative</p> <p>The performance and accountability report within the annual report and accounts provides the Board with an opportunity to set out their strategic objectives, performance and governance processes. While improvements have been made to streamline this narrative, there remains areas for improvement to ensure the understandability of the narrative.</p> <p>Management should continue to review the narrative sections within the annual report and accounts and identify areas where this could be streamlined and simplified to aid the understandability for the reader.</p> <p style="text-align: right;">Grade 2</p>	<p>Response: Agreed. The management commentary was updated and amended in line with EY recommendations in the year. Its content is always reviewed against the annual accounting manual on an ongoing basis and opportunities to improve the narrative disclosures considered.</p> <p>Responsible officer: Asst Director of Finance - FS, C, & PS</p> <p>Implementation date: May 2024</p>	<p>Partially complete.</p> <p>Some revisions were made to the financial statement narrative for 2023/24 however there remains further opportunities for streamlining and simplifying the annual report and accounts. Management should ensure a full review is performed for 2024/25.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
2	<p>Accounting assessments</p> <p>The Board did not have in place accounting papers for material amounts within their financial statements which carry significant judgement and estimation. Having such papers ensures that judgements are clearly articulated and that knowledge can be easily transferred within the Board.</p> <p>Management should perform a review of ensure that for any material amounts which carry significant judgement or estimation, that an accounting paper is in place supporting management's view.</p> <p>Grade 1</p>	<p>Response: Agreed. In the event the Board was doing something which involved an element of significant justification and estimate an accounting paper will be produced.</p> <p>Responsible officer: Director of Finance</p> <p>Implementation date: May 2024</p>	<p>Partially complete.</p> <p>The Board has implemented a process for preparing accounting papers to support material amounts within their financial statements which carry significant judgement and estimation.</p> <p>While the Board prepared several accounting papers to support the balances within the financial statements, we believe further work could be done to identify new areas where accounting papers may be required, such as the accounting paper on the Yorkhill site valuation.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
3	<p>Contract Management</p> <p>The Service Level Agreements in place with other NHS Scotland bodies did not clearly articulate the performance obligations and were not amended to reflect the changes arising as a result of the Covid-19 pandemic. This resulted in challenges in assessing the accounting treatment both due to the lack of clarity in terms and the lack of written amendment.</p> <p>Management should perform a review of contracts in place to ensure the performance obligations within are clearly articulated. Where changes are made to contracts, formal contract amendments should be made.</p> <p style="text-align: right;">Grade 2</p>	<p>Response: Agreed. The SLA's were not amended during the height of the pandemic due to the pressures of work at that time, instead an amendment was agreed nationally with Scottish Government and all Health Boards to ensure no Board was at financial detriment due to the challenges of delivering core activity during the pandemic.</p> <p>Going forward SLA's are in the process of being reviewed and updated and the new SLAs will include additional clarification around performance obligations.</p> <p>Responsible officer: Director of Finance</p> <p>Implementation date: 31 March 2024</p>	<p>Partially complete.</p> <p>A resolution has been reached for 2023/24 however a longer-term arrangement requires to be adopted.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
4	<p>Financial Statement classifications</p> <p>Our procedures across a number of financial statement disclosures and accounts identified misclassifications. These arose partially due to terminology misinterpretations and partially due to a lack of understanding of the chart of accounts and how those impact financial statement categories.</p> <p>Management should ensure that a review is performed to ensure that financial statement transactions and balances are correctly classified within the financial statements. This should include training where appropriate and a review of the use of general ledger account codes.</p> <p style="text-align: right;">Grade 2</p>	<p>Response: Agreed. The core team will be up to full establishment from 2023/24 and will allow for additional reviews in year and at the yearend.</p> <p>Additional training will be delivered for key finance staff during the year and clarification will be sought through TAG as appropriate.</p> <p>Responsible officer: Assistant Directors of Finance</p> <p>Implementation date: 31 March 2024</p>	<p>Partially complete.</p> <p>Training has been undertaken during the year and the overall level of classification errors has reduced.</p> <p>However, some classification errors continue to be identified in the financial statements including a reoccurrence of a misclassification from prior year.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
5	<p>Journal processing</p> <p>The majority of journals processed by the Board are processed by the book-keeping team. This means that we have been unable to fully utilise our data analytics tool to understand patterns of posting and has led to inefficiencies in sample testing as it is difficult to identify the true journal preparer. Within the Board, it also creates inefficiencies when individuals wish to query postings as this can not readily be obtained from the system.</p> <p>Management should review the current processes in respect of journal postings and whether the book-keeping team should retain control of journal processing.</p> <p>Grade 2</p>	<p>Response: Agreed. A review of this will be carried out to establish whether it is possible to better align journal postings to the person/team raising the journal.</p> <p>Responsible officer: Assistant Directors of Finance</p> <p>Implementation date: 31 March 2024</p>	<p>Partially complete.</p> <p>Management accounts now process all of their own journals however the bookkeeping team is still responsible for posting some journals on behalf of some of the financial services team. Management has determined that no further action will be taken to address this recommendation.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
6	<p>Valuation of PPE</p> <p>The Board's valuer adopts a beacon approach specifically designed by the District Valuer. Management should ensure that they document their review and challenge of the valuations provided by the district valuer.</p> <p>The Board should ensure that evidence is available to demonstrate their review and challenge of the valuations provided by the district valuer.</p> <p>Grade 2</p>	<p>Response: Agreed. The Board already reviews and challenges valuations as required however formal recording of this process will be tightened up.</p> <p>Responsible officer: Head of Financial Services</p> <p>Implementation date: 31 March 2024</p>	<p>Partially complete.</p> <p>While significant improvements were noted for assets which had been subject to formal valuation, a material error was identified in respect of indexation which could have been identified through greater review and challenge.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
7	<p>Timing of additions</p> <p>The Fixed Asset Manager is reliant on relevant individuals within the Board advising of when items should be capitalised. The Board has been reviewing processes to ensure items are capitalised at the correct date. As set out in Appendix F, we identified adjustments in this area and therefore, this should continue to be an area of focus.</p> <p>Management should continue to review the capitalisation process to ensure that assets are capitalised from the correct date.</p> <p>Grade 3</p>	<p>Response: Agreed. As the report says there has been work done already around this. Now the team is up to full establishment additional reviews will be undertaken to ensure that assets are capitalised from the correct date</p> <p>Responsible officer: Head of Financial Services</p> <p>Implementation date: 31 March 2024</p>	Complete

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
8	<p>PFI/Hub Contracts</p> <p>The Board holds 16 PFI/Hub contracts which are of varying ages. The Board did not store all the relevant supporting information in a single location which resulted in some challenges obtaining the correct models and contracts.</p> <p>One of the PFI contracts is scheduled to end in 2025 and therefore the Board should ensure that appropriate arrangements are in place for the contract conclusion.</p> <p>Management should ensure that a central location is used to store all PFI/Hub related information.</p> <p>Management should ensure that appropriate arrangements for the conclusion of the PFI contract expiring in 2025 are in place.</p> <p style="text-align: right;">Grade 2</p>	<p>Response: Agreed. The majority of the files were already held in a central location. During the audit it was confirmed that there were some gaps which were resolved and the central files have been updated accordingly.</p> <p>In respect of the contract expiring in 2025 a group has been set up to oversee effective management of the process and minimise potential risk to the Board.</p> <p>Responsible officer: Head of Capital Finance Implementation date: May 2024</p>	<p>Complete.</p> <p>While a revised arrangement is not yet in place, the Board has implemented governance arrangements and commenced discussions regarding the contract.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
9	<p>Inventory controls</p> <p>Our procedures in respect of inventory identified a number of errors and control weaknesses in process in respect of inventory counts.</p> <p>Management should perform a review of controls for inventory counts. Given the volume of counts being performed, management should consider implementing spot checks by central finance to ensure instructions are being followed.</p> <p>Grade 2</p>	<p>Response: Agreed. Spot checks will be restarted in 2023/24.</p> <p>Responsible officer: Head of Financial Services</p> <p>Implementation date: 31 March 2024</p>	<p>Incomplete.</p> <p>While instructions were re-issued by the central finance team, a number of similar errors and control weaknesses were identified during our attendance at counts.</p>
10	<p>IT Asset Register</p> <p>IT assets are often bulk uploaded to finance's fixed asset register which means that it is difficult to identify any individual assets. The IT team have a separate register but the links between the two systems are unclear.</p> <p>Management should review how finance and IT asset registers can be aligned to ensure that IT assets can be readily traced.</p> <p>Grade 3</p>	<p>Response: Agreed. Management will review the current arrangement with a view to tightening arrangements.</p> <p>Responsible officer: Head of Financial Services</p> <p>Implementation date: 31 March 2024</p>	<p>Enhancements have been made for the links between the IT asset register and the finance fixed asset register.</p> <p>However further enhancements are required for older IT assets.</p> <p>Recommendation superseded by current year recommendation 5.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
11	<p>Medium-term financial plan</p> <p>The Board's medium term financial plan sets out significant deficits after delivery of significant savings. While the Board continue to review and identify savings opportunities, it is important that the Board has a sustainable savings delivery plan over the term of the medium term plan.</p> <p>The Board should develop and implement detailed savings plans over the medium term which are aligned to the Moving Forward Together programme. The savings plans should clearly articulate how savings will be achieved over the next 3 years and beyond.</p> <p>Grade 1</p>	<p>Response: Agreed. The Board already has a key area of focus on savings through the S&V programme Board and relevant sub-groups and as reported to FP&P and Board.</p> <p>Responsible officer: Director of Finance</p> <p>Implementation date: Ongoing</p>	<p>Partially complete.</p> <p>The scale of savings required over the next 3-year period is significant. At the current time, not all savings have been identified.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
12	<p>Finance team skills and capacity</p> <p>The finance team has dependency on a number of key individuals for the more complex and technical areas of accounting. Challenges have been encountered in areas such as IFRS 16 implementation and the remuneration report. This key person dependency also creates risks around succession plans and how corporate knowledge is shared.</p> <p>Management are undertaking a review of the finance team and identifying areas for improvement. This should include an assessment of the skills of the team (including the number of qualified accountants) and the succession plans in place for key roles. As part of the financial statement preparation, management should assess the roles key individuals perform to ensure that key person dependency risk is shared.</p> <p>Grade 1</p>	<p>Response: Agreed. A couple of key senior finance posts were vacant during the year. These are now filled and the department succession plans will be updated accordingly.</p> <p>Responsible officer: Assistant Directors of Finance</p> <p>Implementation date: 31 March 2024</p>	<p>Partially complete.</p> <p>While we have noted improvements in the capacity within the team, there remains dependency on a small number of key individuals.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
13	<p>Internal audit reporting</p> <p>We consider that best practice is for all internal audit reports to be presented to Audit and Risk Committees rather than just reports with significant findings.</p> <p>Management, in conjunction with the Chair of the Audit and Risk Committee, should review the current reporting protocols for internal audit reports to ensure sufficient detail is provided to the committee on reports with limited findings.</p> <p>Grade 2</p>	<p>Response: Agreed. Current reporting protocols will be reviewed and any changes agreed with the Chair of ARC will be implemented.</p> <p>Responsible officer: Director of Finance</p> <p>Implementation date: 31 March 2024</p>	<p>Complete</p> <p>All internal audit reports are now presented in full to the Audit and Risk Committee.</p>
14	<p>Accruals review</p> <p>Our procedures in respect of accruals identified a number of adjustments, including calculation differences, accruals relating to future expenditure and double counted accruals as set out in Appendix F.</p> <p>Management should ensure that a review of the adjustments identified by audit is performed and that further quality assurance checks are implemented to identify errors in advance of the audit. Where necessary further training should be provided.</p> <p>Grade 2</p>	<p>Agreed. A review will be carried out as part of the yearend checks and training is already being scheduled.</p> <p>Responsible officer: Assistant Director of Finance - Planning and Performance</p> <p>Implementation date: 13 May 2024</p>	<p>Complete.</p> <p>While some errors have been identified during the course of the audit, this has significantly decreased from 2022/23.</p>

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
15	<p>Remuneration report</p> <p>The remuneration report was provided to audit on 15 May, 6 days after the start of the audit fieldwork. For 2022-23, the report contained a number of complexities due to the turnover in the executive team.</p> <p>Following audit review, it became apparent that the necessary information from SPPA had not been obtained and this led to delays in completing the review and a potential qualification in respect of the remuneration report.</p> <p>Management should ensure that an individual is allocated to the remuneration report who has sufficient time to prepare the report to a high quality and ensure that all information from third parties is obtained in a timely manner. A thorough quality review should also be performed against the guidance prior to issue to audit.</p> <p>Grade 2</p>	<p>Agreed. The remuneration report and associated guidance will be independently reviewed by a senior officer within Financial Services as part of the yearend checks. This did not occur this year due to key vacancy in the team which has now been filled.</p> <p>Responsible officer: Head of Financial Services Implementation date: 13 May 2024</p>	<p>Incomplete.</p> <p>National delays have been encountered in receipt of pension information required to prepare a compliant remuneration report.</p>

G Adjusted and unadjusted differences

This appendix sets out the adjustments that were identified as part of finalisation of the financial statements.

Financial Statements 2023/24: Adjusted differences

No.	Description	Balance Sheet Debit/(Credit)				SOCNE Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	Indexation adjustment	123 (11)				(112)	(2.6)	2.6
2	Rates refund reclassification between income and expenditure						8.5 (8.5)	
3	Prepayments reclassification between prepayments and accrued income		12 (12)					
4	Disposal of fully depreciated assets	320.7 (320.7)						
Total		112	-	-	-	(112)	(2.6)	2.6

Key	Description	Key	Description
NCA	Non-Current Assets	NCL	Non-Current Liabilities
CA	Current Assets	CL	Current Liabilities
OCI	Other comprehensive income/expenditure		

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Adjusted and unadjusted differences

Financial Statements 2023/24: Unadjusted differences

No.	Description	Balance Sheet Debit/(Credit)				SOCNE Debit/(Credit)		Reserves
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	£m
1	Reclassification of apprenticeship levy between staff costs and other operating expenditure						9.2 (9.2)	
2	Contract liability release in relation NWTCB				1.8		(1.8)	
3	Incorrect reversal of PY accrual				(1.8)		1.8	
4	GRNI extrapolated error				2.7		(2.7)	
5	SFR 30 judgemental difference				2		(2)	
6	Yorkhill valuation judgemental difference	2.6				(2.6)		
7	Additions and AUC classification extrapolated error	4.2 (4.2)						
8	Land and Building apportionment for Health Centres judgmental difference	4.8 (4.8)						
9	CNORIS post-balance sheet claims judgmental difference		10.2	(11.3)			1.1	
Total		2.6	10.2	(11.3)	4.7	(2.6)	(3.6)	-

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Adjusted and unadjusted differences

Financial Statements 2023/24: Adjusted Disclosure/other differences

No.	Description
1	Adjustment to Note 7 to correctly disclose the open market value of land and dwellings from £7.041 million to £2.856 million.
2	Adjustment to Note 18b in respect of PFI/Hub service elements due in future periods which was understated by £82.6 million as it did not reflect application of updated, published RPI indexation rates.
3	Adjustment to Note 17 to update other charges and the total. Both values were understated by £4.8million.
4	Adjustment to Note 7c in respect of PFI/PPP depreciation which had been omitted in error, this has been updated to £8.3 million.
7	Adjustment to Note 20 in respect of Contract Liability being incorrectly disclosed here, therefore this was overstated by £24.1 million.
8	Adjustment to Remuneration and Staff Report with regards to Pension benefit disclosures; pension values table; fair pay and pay bandings; non-executive members columns and exit packages, staff numbers and expenditure disclosures.

Financial Statements 2023/24: Unadjusted Disclosure/other differences

No.	Description
1	In respect of PFI/Hub liabilities, a financial Model input issue causes an immaterial difference for the present value of the lease liability and therefore the primary statements but leaves an unadjusted £1.7m understatement of the disclosure of service elements due in future periods.
2	In respect of Note 20 Financial Instruments, the prior year contract liability was incorrectly disclosed within this note.

H Audit Fees

2023/24 Fees

The Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2023/24	2022/23
Component of fee:		
▶ Auditor remuneration - expected fee	£415,760	£392,220
▶ Additional audit procedures (see below)	£173,500	£195,000
Audit Scotland fixed charges:		
▶ Pooled costs	£50,260	£35,490
▶ Audit support costs	-	£15,340
Sectoral price cap	£70,880	£63,260
Total fee	£710,400	£701,310

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise, submitted in November 2021. It assumes that the Board has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

Through the course of our audit procedures, we identified material areas of additional scope of work required to conclude our audit in line with auditing standards. We shared an assessment of the additional time and costs with management and agreed a variation. The fee variation amount is driven by the staff mix required in the areas of work noted, recognising that some areas require more senior or expert time compared to other more transactional work which may be completed by more junior team members. All time related to areas of additional work is charged in line with the day rates provided by Audit Scotland.

Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit and Scrutiny Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Additional audit information (cont.)

Audit Quality Framework/Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/audit-quality-audit-scotlands-transparency-report-202223>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of Glasgow City Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients 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 Recipient'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, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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