

NHS Greater Glasgow and Clyde

Annual Audit Report
Year ended 31 March 2025

30 June 2025



Building a better
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. Responsibility for compliance is with the body publishing the document.

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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 2025. 8 adjustments were made to the financial statements and a further 5 adjustments were unadjusted. A further 3 disclosure adjustments were made. 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.

The draft financial statements and supporting working papers were provided within a reasonable timeline with the exception of the remuneration and staff report. There was positive engagement between the audit and finance team throughout the audit process.

Procurement irregularities were brought to the Board's attention in August 2024. We assessed the impact of these matters in respect of our audit opinion, including the opinion in respect of regularity and concluded that no modifications were required.

The financial statements and working papers were of a reasonable quality with continued improvements noted from prior years. We will continue to work with management to support in further improving 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 4 new recommendations as a result of the annual audit, of which 1 was graded as high priority (Grade 1) and 3 graded moderate priority (Grade 2). 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 6 recommendations assessed as being partially complete, 10 complete and 1 closed.

- 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.



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.

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:
Amber

The financial environment in which the NHS operates continues to be challenging, with increasing requirements across NHS Boards in Scotland for brokerage. Despite these challenges, the Board met all financial targets in 2024/25 with an underspend of £2.3 million against their revenue resource limit. The financial position throughout the year was challenging and most 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.

Procurement irregularities within one department were brought to the Board's attention in August 2024 alleging corrupt practices between members of staff and board suppliers. While noting that such practices can be hard to detect, the Board should ensure that any lessons are learned from this matter to enhance controls in respect of procurement with regular monitoring of compliance.

Within the finance team, we continue to note that there is significant dependency on a small number of key individuals for complex and technical accounting matters and we have noted a consistent level of errors through our financial statement audit with 16 adjustments identified. 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 and that there is sufficient training and expertise within the team.

Our assessment of prior year recommendations has noted that 6 (35%) are partially complete. 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.

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 over the last 5 years there have been numerous material external factors impacting both the wider sector and Board which 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 2025 to the Scottish Government which outlined a balanced budget for 2025/26 then annual deficits of £42.6 million in 2026/27 and £0.2 million in 2027/28 resulting in a cumulative deficit of £42.8 million with £291 million of recurring and £94 million of non-recurring savings to be achieved across the three-year period from 2025-2028. The financial plan requires delivery of recurring savings of a value over 40% greater than what has been achieved in recent years. The Board has also received non-recurring sustainability funding of £55.1 million in 2025-26 to support reduction of the deficit.

The recurring requirement to identify and deliver significant savings year on year above levels which have previously delivered means that readily identifiable and many 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. As noted in use of resources, the Board has commenced such activities with additional investment funding secured however it remains to be confirmed what savings will be achieved.

In addition to the Board's historical challenge in fully delivering 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.



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 has been required to respond to a number of significant but largely historical governance matters including in respect of the Skye House, the Scottish Hospitals Inquiry and the Healthcare Improvement Scotland Emergency department review. A need to improve culture is a key theme from both the HIS review and Skye House investigation. The Board is taking forward an improvement plan that will be designed to specifically address findings but also support the Board on their wider transformation programme.

A number of governance changes are being implemented for 2025/26, recognising the requirements to respond to the reform agenda, continue to respond to significant legal and regulatory activity and address concerns, particularly in respect of culture following recent reviews at Skye House and across the Board's emergency departments. The pace and level of changes being progressed are significant and there will be challenges encountered as these changes are implemented. Effective communication plans and monitoring of progress will be important to ensure effective implementation and allow the impact of the changes to be assessed.

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 2024/25 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 with substantial work taking place. More significant transformation and reform activity is planned both locally and nationally which includes establishing an Interface Division which will have responsibility for developing a 1000-bed virtual hospital and launching the Flow Navigation Centre Plus model. The Board has ambitious plans for whole-system reform and has been successful in securing additional funding from the Scottish Government to deliver these. Elements of the reform programme are the first to be implemented across healthcare in Scotland and therefore present a significant opportunity for the Board, but there will equally be notable pressure on the Board to be able to demonstrate performance of such initiatives.

The Board considered regular performance updates against the Annual Delivery Plan measures throughout the year. Overall performance has declined against the Board's KPIs during 2024/25, with 40% of targets being met compared to 57% in 2023/24. It should be noted that 25 targets were reported against in 2024/25 compared to 21 in 2023/24.

There continues to be significant challenges in performance across three key areas: cancer treatment times; accident and emergency treatment times and delayed discharges, 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. The Board has also been demonstrate improvement in performance other key metrics such as new outpatient activity, access to CAMHS and alcohol and drug waiting times.

Best value: Fairness and Equality

Public bodies have a range of legal duties and responsibilities with regard to equality. A Best Value organisation will demonstrate that consideration of equality issues is embedded in its vision and strategic direction and throughout all of its work.

Our assessment: Green

The Board has structures in place to allow it to embed fairness and equality across the organisation and ensure that equality is maintained at the forefront of decision making.

The Board has recently launched A Fairer NHS Greater Glasgow 2025-29 and established a new People Committee. It will be important in the next year for the Board to give prominence to instilling a culture of equality while it also focuses on the Reform agenda.

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 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 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 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 18 March 2025.

Our review and assessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using an overall materiality of £33 million. Exhibit 1 confirms that we updated the materiality level based on receipt of the 2024/25 draft financial statements, however the basis for our materiality remains unchanged.

Exhibit 1: Our materiality assessment in 2024/25

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £33 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 £35 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 2024/25 FReM.

We review and report on the consistency of the other information prepared and published along with the financial statements. In accordance with the Public Finance and Accountability (Scotland) Act 2000, we are also responsible for expressing an opinion on the regularity of expenditure and income.

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

Four 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; and
4. Remuneration and staff report disclosures.

Two inherent risks impacting the audit of the financial statements were identified, relating to the CNORIS provision and the existence of property, plant and equipment.

We identified one other area of focus in respect of climate change disclosures.

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.

In line with the Code of Audit Practice, there is an expectation that equalities will be advanced through the audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. This work has been performed as part of the 2024/25 audit.

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 accounts template was provided by the agreed date. There was a delay to receipt of the remuneration and staff report. There were also delays to key working papers being received. We continue to identify opportunities for improvement of the quality of working papers 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.

Management performed a review of the performance and accountability reports to improve and enhance the understandability of the reports following our prior year audit recommendation. 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.

ISA (UK) 600 (revised September 2022) special considerations - Audits of group financial statements (including the work of component auditors) becomes effective for the first time in 2024/25. The revised auditing standard introduces a number of changes to the approach required for auditing groups. This includes changes to the responsibilities of the group auditor for direction, supervision and review of the work of component auditors.

The Group consists of the following organisations in addition to the Board:

- ▶ the Greater Glasgow Health Board Endowment Funds; 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 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 we would perform central procedures in respect of the Integration Joint Boards meaning that our procedures primarily consisted of analytical review procedures, review of financial reporting 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.

East Dunbartonshire IJB are yet to conclude on the audit of the 2023/24 or 2024/25 financial statements due to a finance system change at the Council. Additional procedures have been performed to obtain assurance over the over the accuracy of the consolidated figures. Refer to recommendation 1, Appendix F.

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

8 adjustments were made to the financial statements and a further 5 adjustments were unadjusted. A further 3 disclosure adjustments were made. 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.

Our overall audit opinion is summarised on the following page.

We made 4 new recommendations as a result of the annual audit, of which 1 was graded as high priority (Grade 1), and 3 graded moderate priority (Grade 2). 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 6 recommendations assessed as being partially complete, 10 complete and 1 closed.

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 ▶ Truth and fairness of the state of affairs of the Group and Board at 31 March 2025 and its expenditure and income for the year then ended ▶ Financial statements in accordance with the relevant financial reporting framework.	▶ 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.	We issued an unqualified opinion on the 2024/25 financial statements for the Board and its Group.
Going concern ▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.	▶ 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.	In accordance with the work reported on page 31, our audit opinion is unqualified in this respect.
Other information ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.	▶ 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.	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.

Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
Opinion on regularity In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.	Our procedures include: ▶ Obtaining an understanding of the framework of authorities that are specific to the Board. ▶ Obtaining sufficient appropriate evidence to obtain assurance over regularity including through substantive audit procedures.	We issued an unqualified opinion.
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: ▶ 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: ▶ 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. ▶ We have not received the information we require.	We have no matters to report.

Regularity

Under the Public Finance and Accountability (Scotland) Act 2000, auditors are required to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers.

We have adopted an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Procurement irregularities within one department were brought to the Board's attention in August 2024 alleging inappropriate practices between members of staff and board suppliers. Any transactions and balances in respect of these allegations would be considered irregular.

Following receipt of a management paper in respect of the procurement irregularities, we assessed the impact of these balances and transactions on our regularity opinion. We have concluded that the impact on 2024/25 is not material and therefore issued an unmodified regularity opinion. Due to the nature of the ongoing investigation work, there remains uncertainty around the exact amount of irregular expenditure. Any further matters arising will be considered and reported in future years.

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 Practitioner 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.	NHS National Services Scotland (NSS) procures a service auditor report from PWC LLP. In late May 2025, the service auditor highlighted no critical or significant findings and reported an unqualified opinion.
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.	NHS National Services Scotland (NSS) procures a service auditor report from PWC LLP. In late May 2025, 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. The Board confirmed their assessment of the impact of the qualification remains in line with prior year 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 confirmed that the matter has been appropriately disclosed within the annual governance statement.
National Single Instance (NSI) Financial Ledger Services NHS Ayrshire and Arran operate the NSI financial ledgers services on behalf of all Scottish health boards.	NHS Ayrshire and Arran procure a service auditor report from BDO LLP. In May 2025, the service auditor highlighted no critical or significant findings and reported an unqualified opinion.

Our response to significant and fraud audit risks

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

What is the risk?

The Board's financial plan for 2024/25 set out an initial forecast deficit of £48.3 million. Over the course of the financial year, the Board progressed with savings plans and obtained additional funding to reach a small underspend.

There is an expectation on NHS boards to attain an annual breakeven position. They may make use of limited financial flexibilities, allowing them to operate within one per cent of their core revenue budget, although this must then be offset over a three-year period. This therefore imposes a 'three-year break-even' position.

The initial anticipated deficit position of £48.3 million would have exceeded the one percent of the flexibility level and therefore a significant focus of the Board ahead of the yearend was therefore identifying and attaining any possible additional savings.

As a result of the financial pressures and initial forecast deficit, there is a presumed incentive for management to manipulate judgemental and subjective areas of the financial statements to improve the Board's reported financial performance and ensure a position in line with the Board's financial targets. This could include taking opportunities to re-assess judgemental or complex accounting policies for more favourable financial results.

We consider the risk is likely to relate to the overstatement of income, accrued income and other receivables, and the understatement of expenditure, payable accruals, and provisions.

We believe the risk to be focused around manual yearend adjustments such as;

- ▶ **Accrued income:** £27.2 million (PY: £36.6 million)
- ▶ **Accrued expenditure:** £346.4 million (PY: £325.6 million)
- ▶ **Deferred income (including contract liabilities) :** £26.48 million (PY: £28.96 million)
- ▶ **Provisions:** £493.07 million (PY: £460.1 million)

Alongside this, there is a risk of misclassification between revenue and capital expenditure, in particular where revenue and capital budgets are at risk of being exceeded or underspent at yearend.

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 for Scottish Government funding, income for services commissioned by Integration Joint Boards and payroll expenditure.

Additionally, challenges were encountered in relation to the implementation of a new prescribing system and therefore we recognised an additional risk in respect of the completeness and accuracy of prescribing expenditure.

| What did we do?

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

- ▶ reviewed and tested revenue and expenditure accruals at the period end date;
- ▶ assessed whether assets and liabilities were appropriately classified within the financial statements;
- ▶ reviewed SFR 30 data and investigated differences with counter-parties we considered to be significant;
- ▶ focused our testing on manual year-end accrued income and other receivables, accrued expenditure, and provisions where we believed the risk of management override and / or inappropriate revenue and expenditure recognition to be greater;
- ▶ tested compliance with IFRS 15 in respect of contract revenue;
- ▶ performed 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;
- ▶ tested revenue and capital expenditure to ensure it had been appropriately classified;
- ▶ reviewed the classification of provisions, accruals and contingent liabilities, and assessed the completeness of related disclosures;
- ▶ reviewed the arrangements for the transition in prescribing system and performed specific cutover testing to ensure expenditure had been appropriately recorded; and
- ▶ performed detailed testing over the interface between the new prescribing system and the general ledger to ensure prescribing expenditure was accurately recorded.



Our conclusions

- ▶ Our work in respect of accruals and accrued income complete. Our testing identified a total net adjustment of £0.967 million in respect of accrued expenditure, although gross adjustments were more significant as set out in Appendix G. We noted a number of classification differences between accruals, prepayments, receivables and accrued income, with no net impact on the financial position, with the most significant being a £32 million adjustment between other receivables and NHS Scotland receivables. In line with prior year observations, management should ensure that a thorough review is performed to reduce the number of such errors in future years. Refer to Appendix F, recommendation 11.
- ▶ The Research and Innovation balances were recorded as a current liability however for some balances tested, we found that they should be partially reclassified as a non-current liability. Management have implemented procedures to ensure the ageing of such balances are considered ahead of the financial statement preparation to ensure the correct allocation between current and non-current liabilities.
- ▶ The FHS accrual is based on a best-estimate of expenditure within the final two months of the year. The Board was informed of actual expenditure from the Scottish Government at the end of May, resulting in a £4 million adjustment to reduce the accrual.
- ▶ We challenged management on respect of an income balance which had been deferred for £9.8 million with an unadjusted error recorded in Appendix G. In our view the income should be recognised on the basis that it was received during 2024/25 with no conditions attached.
- ▶ The Board encountered a number of issues relating to the implementation of the new pharmacy system. This resulted in a variety of manual interventions during the transition period, and ongoing work-arounds throughout the year. We tailored our audit approach accordingly in response to these matters and performed material additional testing specifically around the completeness of prescribing expenditure recorded. Through our procedures, we identified a number of improvement areas. As at the year end, management continues to work with the system provider to rectify functionality issues, but progress remains ongoing and manual interventions are still a significant aspect to the recording of prescribing expenditure. Management should ensure that they continue to review and rectify the functionality issues within the new system. Refer to Appendix E, recommendation 2.
- ▶ Management has estimated the liabilities in respect of the Band 5 to 6 job evaluation exercise. This has resulted in a provision, accrual and contingent liability being recognised within the financial statements. We are satisfied with the basis for this estimate.
- ▶ In August 2024, the Board were made aware of alleged procurement irregularities within one department. We assessed the implications of these allegations on expenditure recognised within the financial statements. While the investigation is ongoing, we concur with management's assessment that no adjustment is required to the financial statements. We have separately considered the impact of these matters on our regularity opinion on page 16.
- ▶ 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 FReM.

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 financial services team staff members. Management has determined that they are satisfied with this approach and no further changes to this process will be made.

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 28 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.
- ▶ 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.

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.



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. We do however highlight our evaluation of the alleged procurement irregularities on page 16.
- ▶ 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.
- ▶ 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 £2.57 billion (2023/24: £2.47 billion) of property, plant and equipment with £2.34 billion (2023/24: £2.30 billion) relating to land and buildings. Additions totalled £74.4 million, with completions of £104 million.

Refer to accounting policies within note 1 of the financial statements (*page 90 to 104*) and note 7 of the consolidated financial statements.

What is the risk?

In accordance with the 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. It was identified nationally 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. The Board identified RAAC within a building at the Glasgow Royal Infirmary, and investigations are ongoing to determine required remediation actions.

Management will be required to assess any impairment required to 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.

The Board also has a number of sites which are either expected to be disposed of during the year or will be surplus imminently which will impact the valuation.

We further note that a significant valuation adjustment was identified within 2023/24 of £123 million due to the incorrect application of the indexation rate.

What did we do

Our procedures included:

- ▶ Review and appraisal of 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.
- ▶ Assessing 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 testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Involving EY internal specialists to challenge the work performed by the Board's valuers, where appropriate.
- ▶ Assessing any changes to useful economic lives.
- ▶ Testing accounting entries were correctly processed in the financial statements.

- ▶ Assessing the completeness of management's assessment of the presence of RAAC within the Board's estate and any impairments required to buildings.
- ▶ Sample testing transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress.
- ▶ Reviewing management's impairment assessment and consider the completeness of impairment considerations.
- ▶ Gaining 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.
- ▶ Considering the valuation of any surplus assets or assets towards the end of their useful lives.
- ▶ Ensuring accounting for disposals is correct.
- ▶ Ensuring additions are capitalised in a timely manner and depreciation appropriately charged from the date the asset was brought into use.
- ▶ Reviewing operating expenditure for evidence of capital additions omissions.



Our conclusions

Valuations

- ▶ 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, we noted delays in receipt of PPE working papers and identified a number of disclosure misstatements therefore this should be a continued area of focus.
- ▶ In line with the prior year, we requested management prepare a technical accounting paper for the valuation of the Yorkhill site. This was submitted to audit 25 days after the agreed deadline. As at 31 March 2025, the site was partially operational and partially surplus which brings additional complexities to the valuation. Management determined that the buildings should be valued at nil which was challenged by the audit team and resulted in a judgemental difference of £2.7 million which is recorded in Appendix G.
- ▶ During the audit, the Board's valuer identified a misstatement of £3 million in respect of valuations relating to a software error impacting the revaluation of two assets. We requested that management obtain assurance from the valuer regarding additional work performed to ensure that no other assets were impacted. No further adjustments were identified.
- ▶ Except as noted above, 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.
- ▶ Our work in respect of valuations is complete, 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.

Additions and completions

- ▶ Our work in respect of additions and completions is complete with classification errors identified, as noted in Appendix G. No further matters were identified.

4. 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.

In 2023/24, the Board was unable to produce a complete remuneration and staff report in line with the agreed timeline due to national issues impacting the provision of CETV (cash equivalent transfer values) by the Scottish Public Pensions Agency ('SPPA'). The Board applied a FReM amendment in respect of pension values disclosed within the remuneration report.

The Board worked on a resolution to ensure that full disclosures are restored for both current and prior year in the 2024/25 financial statements.

In respect of other audited areas of the remuneration report, we identified a number of disclosures amendments including inconsistent use of payroll data to produce the required disclosures.

During 2024/25 there was turnover in respect of both the Board's non-executive and executive members which adds further complexities to the required remuneration disclosures.

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 the the 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.
- ▶ Ensure pension data provided by SPPA is consistent with Board records and investigate any discrepancies.



Our conclusions

- ▶ The Board provided supporting documentation for the prior year remuneration report disclosures as part of our interim audit. Following review and challenge of these disclosures, including SPPA pension data, we were satisfied that prior period comparatives are appropriate.
- ▶ In line with prior years, the remuneration and staff report was provided after the agreed date for provision of the financial statements and associated working papers with management taking additional time to ensure disclosures were quality reviewed.
- ▶ In respect of pension disclosures, we obtained national assurances in respect of the CETV calculators provided by the SPPA. We also noted an improvement in the accuracy of data used in the CETV calculators.
- ▶ In respect of the audited areas of the remuneration report, we identified a number of disclosure amendments including incorrect salary calculations where individuals have been in post for part of the year.
- ▶ Management should ensure the remuneration and staff report is subject to a robust review, and perform spot checks of the calculations to identify any anomalies or inconsistencies. Refer to recommendation 17, Appendix F.
- ▶ We are satisfied that following several disclosure amendments, 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 £243 million (2023/24: £234 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 obligations at 31 March 2025.
- ▶ 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.
- ▶ Assessing 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 identified one adjustment within the CNORIS provision where a claim was understated by £5 million. This was identified through our confirmation procedures with the CLO, which highlighted a variance due to timing of reporting.
- ▶ 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.

Existence of property, plant and equipment

Audit requirements

The Board held a significant number of fully depreciated assets with a gross book value of £320.7 million as at 31 March 2024. In the prior year, we determined that a significant portion of these were no longer in use, and the full balance was adjusted. We identified and reported control weaknesses relating to management's existence checks.

There is therefore a risk that property, plant & equipment are not accurately valued or that they are no longer in existence while still being recognised by the Board.

Our approach

Our audit work on these balances included:

- ▶ Ensuring that assets recorded in the financial statements remain in existence at the balance sheet date through performing physical verification checks.
- ▶ Ensuring that the Board has an appropriate depreciation policy in place which is representative of the expected life of an asset.



Our conclusions

- ▶ While the Board performed a review of fully depreciated assets towards the end of the year, this was not performed as at the balance sheet date. We identified assets held at nil net book value that were no longer in use, resulting in a projected disclosure misstatement of £7 million. Management should ensure a full review is performed as at 31 March.
- ▶ We continue to note areas for improvement with management's existence checks, although our procedures did not identify a material impact to the financial statements.
- ▶ No other material issues were noted through our procedures to support the existence of property, plant & equipment.

Climate change disclosures

Audit requirements

Climate change and sustainability is a key component of strategic decision making and financial planning across the public sector.

The Task Force on Climate-related financial disclosures ('TCFD') framework is intended to help bodies disclose climate-related issues through existing reporting processes. The FReM requires relevant public bodies to comply with the TCFD framework.

Application guidance has been released by HM Treasury and Scottish Government recommends that public bodies comply with the application guidance.

This guidance will mean that the Board will be required to enhance their climate-related disclosures within the 2024/25 financial statements.

Our approach

We reviewed the climate related disclosures within the financial statements and assessed compliance against the revised requirements.

We considered the Board's arrangements to respond to climate change and assess progress towards delivery of its climate ambitions through our wider scope procedures as set out in Section 4.



Our conclusions

- ▶ Sustainability disclosures were prepared in line with the FReM requirements and presented within the Board's Performance Report.
- ▶ We found the disclosures to be materially accurate and compliant with the TCFD framework.

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 ISA (UK) 570, we are required to undertake 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 the ongoing cost of living crisis and inflationary pressures, we place 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 2026.

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.
- ▶ 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:

- ▶ 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. In addition, there is an expectation that equalities will be advanced through the audit process, and that we will there carry out work on the Fairness and Equality characteristic at least once during the audit appointment. We have conducted this work in 2024/25.

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 Management



Our overall assessment: Amber

The financial environment in which the NHS operates continues to be challenging, with increasing requirements across NHS Boards in Scotland for brokerage. Despite these challenges, the Board met all financial targets in 2024/25 with an underspend of £2.3 million against their revenue resource limit. The financial position throughout the year was challenging and most 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.

Procurement irregularities within one department were brought to the Board's attention in August 2024 alleging corrupt practices between members of staff and board suppliers. While noting that such practices can be hard to detect, the Board should ensure that any lessons are learned from this matter to enhance controls in respect of procurement with regular monitoring of compliance.

Within the finance team, we continue to note that there is significant dependency on a small number of key individuals for complex and technical accounting matters and we have noted a consistent level of errors through our financial statement audit with 16 adjustments identified. 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 and that there is sufficient training and expertise within the team.

Our assessment of prior year recommendations has noted that 6 (35%) are partially complete. 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 2024/25 with the Board delivering an underspend of £2.3 million against its revenue resource limit and an underspend of £9,000 against the capital resource limit of £76.3 million. There was a significant year on year reduction in the capital resource limit of £27.2 million.

Exhibit 7: The Board met all financial targets in 2024/25

Financial target	Limit (£'000)	Actual (£'000)	Variance (£'000)
Core revenue resource limit (RRL)	3,494,546	3,492,245	2,301
Non-core resource limit	140,419	140,419	0
Capital resource limit	76,336	76,327	9
Cash requirement	3,790,230	3,790,230	0

Source: NHSGGC Financial Statements 2024/25

The Board's financial position improved significantly during the year.

The overall financial plan for 2024/25 set out an overall financial deficit of £48.3 million. Total savings of £226.9 million were achieved to support reaching the small surplus. The financial plan set out a recurring savings target of £128.6 million with the Board delivering £55.6 million, a shortfall against target of £73 million (57%). This represented a slight increase of £3.6 million against recurring savings delivery in 2023/24 (£52 million).

The slight increase in the level of recurring savings delivered compared to 2023/24, 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.

The Board need to continue to be transparent when setting their budget on

what is a realistic recurring savings target while complying with the Scottish Government requirement of 3%. The shortfall against the 2024/25 recurring savings target was significant.

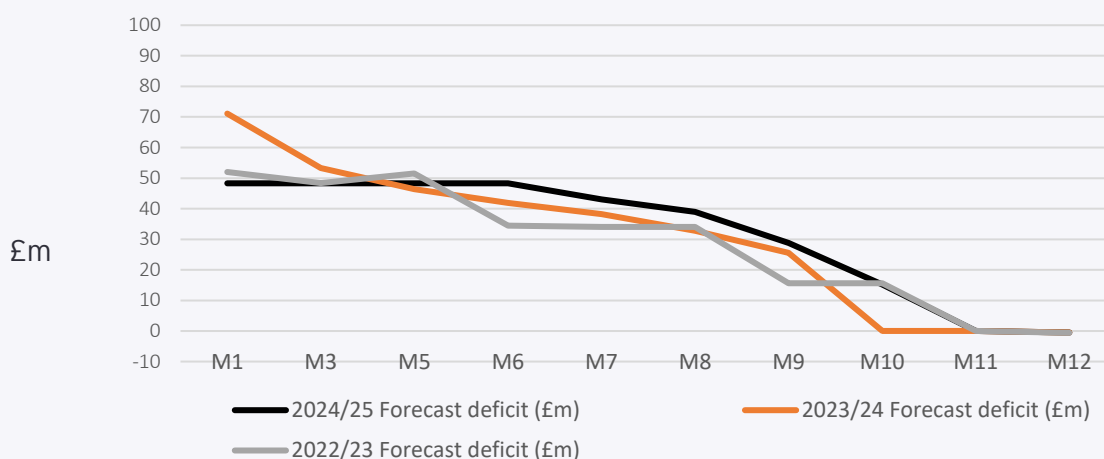
Additional funding received during the year has also supported the Board in reaching breakeven which included a reduction in CNORIS charges, Service Level Agreements and the Agenda for Change non pay reform funding. The Board noted that the financial outturn for 2024/25 would not have been achieved without the additional in year flexibility from the Agenda for Change non-pay reform funding.

Financial monitoring

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

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 2025/26 budget and the medium-term financial plan.

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



Source: NHSGGC Budget Monitoring Reports 2022/23, 2023-24 and 2024/25.

Throughout 2024/25 management reported budget pressures and variances. These were significant with the Board achieving a small underspend against the original forecast deficit (post achievement of savings) of £48.3 million as illustrated in Exhibit 8. Exhibit 8 highlights how the pattern of deficit reporting is consistent with prior years with a large deficit noted at the start of the financial year which gradually reduces to a small surplus position at year end. The deficit for 2024/25 only reduced from midway through the financial year in comparison to the previous two years where there has been a deficit reduction forecast earlier in the year.

Capital programme

The Board achieved an underspend of £0.009 million against their capital resource limit of £76.3 million.

This included a £4.8 million transfer from capital to revenue to ensure appropriate allocation of capital spend between revenue and capital. Total infrastructure investment for 2024/25 was £82.4 million including the completion of the Glasgow North East Health Centre (Parkhead), ongoing works towards completion of a new Health Centre in Bishopton and commencement of works on a new Radionuclide Dispensary at Gartnavel Hospital.

The Board has committed £6.8 million to purchase the Larkfield unit at Inverclyde Royal Hospital from the current PFI provider when the contract expires in October 2025.

All boards were required to submit a Business Continuity Plan in January 2025 which are being used to review capital requirements. The development of the BCP's has enabled prioritisation of the capital allocations available to those areas which are most in need of investment to support ongoing service delivery.

| Financial skills and capacity

Within the finance team, 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 and that there is sufficient training and expertise within the team.

| 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, to the extent that our procedures, designed solely for the purposes of external audit requirements, would identify.

However, we identified 4 new recommendations during the course of our audit and followed up on progress against the 17 recommendations raised in 2022/23 and 2023/24. In total, 6 recommendations are assessed as being partially complete. Addressing these recommendations effectively and in a timely manner should be a key area of focus.

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.

| 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 ('NFI') 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. A total of 10,196 matches were identified for the 2024/25 exercise. Investigation of matches will take place throughout 2025/26 and progress will be assessed through our 2025/26 audit. Audit Scotland will also publish their outcomes report in Summer 2026. The outcomes of participation in NFI is also reported to the Audit and Risk Committee.

Procurement irregularities

Procurement irregularities within one department were brought to the Board's attention in August 2024 alleging inappropriate practices between members of staff and board suppliers.

The Board engaged with NHS CFS in response to this which resulted in an investigation being launched. Regular meetings continue to take place with CFS and the Director of Finance. The Board's internal auditors have been engaged to carry out a review of the Board's internal controls in this area to identify if any improvements can be made during 2025/26.

We are satisfied that the Board enacted its Fraud Response Plan in a timely manner and passed the matter to CFS to assess and agree on the next course of action. The Board were also quick to respond in the interim from an operational perspective and implement temporary additional controls while the investigations progressed.

In addition, additional training on correct procurement practices was delivered with staff only allowed to continue procuring when they had received this training.

The [2006 McClelland Review of Public Sector Procurement in Scotland](#) made a number of recommendations which included that contractual commitments on behalf of all organisations should be executed by a procurement officer. The Board has a central procurement function, with a number of areas where procurement is devolved fully to a specific team within that department. Areas of devolved procurement are not subject to the same oversight as centralised procurement and by nature, do not have the same strength of segregation of duties controls.

We understand that the Board has been considering and developing plans to remove devolved procurement functions before this investigation commenced however this matter has further highlighted the enhanced controls that a central procurement function brings.

The nature of the matter and ongoing criminal investigations has resulted in limited updates being provided to the Audit and Risk Committee and Board.

There is no timeline for completion of the investigation due to its nature and in the meantime, management must ensure that an appropriate level of detail is provided to ensure that members have sufficient assurance over the investigation process as well as improvement actions being undertaken to prevent future occurrences.

While noting that such practices can be hard to detect, the Board should ensure that any lessons are learned from this matter to enhance controls in respect of procurement with regular monitoring of compliance.

Recommendation 4, Appendix E

Financial Sustainability

Our overall assessment: Red



The financial environment in which the Board operates was already challenging and over the last 5 years there have been numerous material external factors impacting both the wider sector and Board which 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 2025 to the Scottish Government which outlined a balanced budget for 2025/26 then annual deficits of £42.6 million in 2026/27 and £0.2 million in 2027/28 resulting in a cumulative deficit of £42.8 million with £291 million of recurring and £94 million of non-recurring savings to be achieved across the three-year period from 2025-2028. The financial plan requires delivery of recurring savings of a value over 40% greater than what has been achieved in recent years. The Board has also received non-recurring sustainability funding of £55.1 million in 2025-26 to support reduction of the deficit.

The recurring requirement to identify and deliver significant savings year on year above levels which have previously delivered means that readily identifiable and many 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. As noted in use of resources, the Board has commenced such activities with additional investment funding secured however it remains to be confirmed what savings will be achieved.

In addition to the Board's historical challenge in fully delivering 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. The Auditor General for Scotland publishes an annual report on the performance of the NHS in Scotland.

The [NHS in Scotland 2024](#) report highlights that the health budget has continued to increase and that this is unsustainable and will become unaffordable, putting pressure on other areas of the public sector and overall Scottish budget, highlighting a need for change.

The scale and pace of reform needs to increase. Difficult decisions need to be made about transforming services, and potentially about what the NHS stops doing. This will be essential for managing the demands placed on the healthcare system and ensuring its future sustainability.

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 2027/28.

The Scottish Government has brought back financial support for boards with a financial deficit. In 2022/23, five territorial Boards received additional support from the Scottish Government to breakeven and one made use of the three-year flexibility. In 2023/24, this position worsened with eight territorial boards needing additional fundings to meet their targets.

Boards continue to rely on non-recurring savings, which made up 63% of the 2023/24 savings delivered. This reliance on non-recurring savings results in Boards carrying significant underlying deficits into future years.

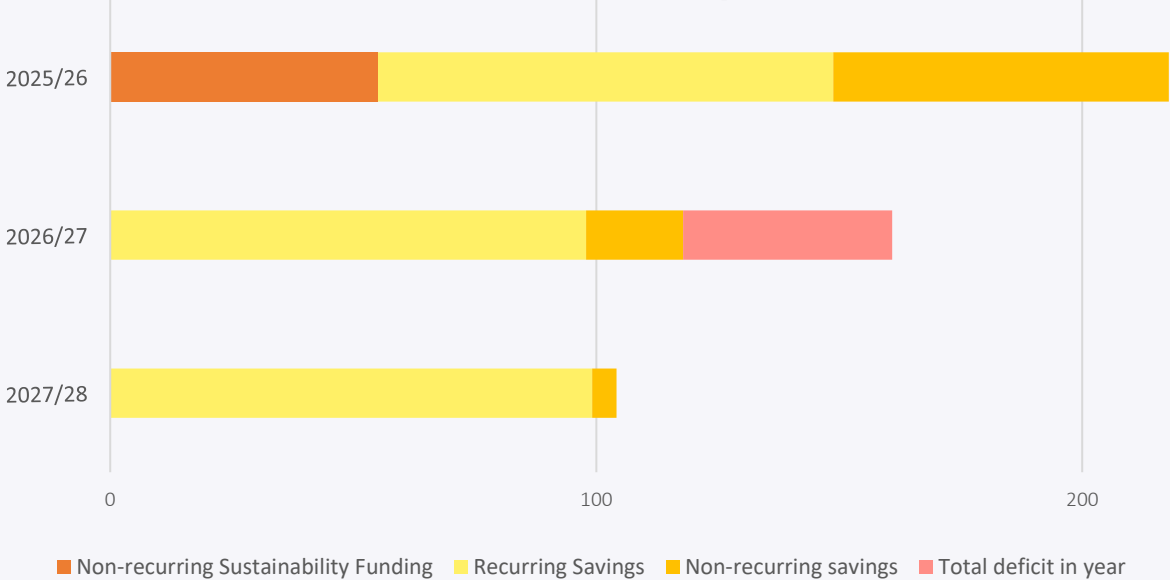
Staffing remains the most significant cost for NHS boards with total staff costs rising to £10.6 billion in 2023/24. Costs are impacted both by pay deals and changes such as moving staff to a reduced working week which will result in more WTE staff being required to meet staffing requirements and provide 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 January 2025 with a final version in March 2025. The Board’s financial plan, as set out in Exhibit 5, shows a total deficit over the 3-year period of £42.8 million. Forecast recurring and non-recurring savings over the period are £384.8 million, with 76% being recurring. 32% (£93.7 million) of those recurring savings are to be delivered in 2025/26 in order to reach the forecast breakeven position. The Board has also received non-recurring sustainability funding of £55.1 million in 2025-26 to support reduction of the deficit.

Delivery of recurring savings of £93.7 million will be incredibly challenging for the Board who in the last three financial years has not been able to deliver more than £56 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 2025

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 a 3% uplift in each year. The Board recognises the uncertainty in respect of ongoing pay negotiations however the assumption is that any pay increases will be fully funded. It is also assumed that all costs associated with a reduced working week and band 5 to 6 review are fully funded.
- **Prescribing:** Detailed prescribing cost growth projections for 2025/26 were still being reviewed at the time of drafting the 3-year plan however the current growth is based on latest Scottish Government assumptions. There continues to be significant pressures in all areas of prescribing with increases pricing

due to short supply and inflation. Primary Care are also seeing increases in volumes.

- **Other supplies:** 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 2.2%. No additional pressure has been included for the impact of national insurance increases on service provider contracts. Early indications are that this could be around £22.3 million of which £19 million relates to IJB's.

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 financial challenges

Cost drivers	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Total Cost Pressures	(401.9)	(314.7)	(264.6)
Of which;			
- Recurring Deficit	(162.8)	(114.5)	(56.6)
- Pay cost growth	(85.0)	(93.6)	(96.0)
- Prescribing	(50.2)	(64.3)	(70.0)
- Supplies	(45.8)	(30.5)	(30.6)
- Other	(58.1)	(11.8)	(11.4)
New Resources	167.8	0.0	0.0
Removal of IJB share	25.9	43.5	45.5
Non-Recurring Pressures/Investment	(9.6)	(6.0)	(5.2)
Overall financial challenge	(217.8)	(160.5)	(104.4)

Source: NHSGGC Three-year financial plan March 2025

| 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 costs of the ongoing band 5-6 review are not yet known and may be higher than anticipated. There remains an assumption that costs would be fully funded. The remaining hour reduction for reduced working week has not been considered due to current indications being that this will be implemented from 1 April 2026.
- Capital - demolition and decommissioning costs of the West Glasgow Ambulatory Care Hospital have not been incorporated within the plan.
- IJB - the financial plan has not included any allowance for any potential enactment of the integration schemes for the IJB's as financial plans are currently showing a break-even position. Costs associated with weight loss drugs have not been factored in or provision for costs associated with national insurance changes for commissioned services.
- Allocations - there are risks around the confirmed value of earmarked and non-recurring allocations. The Board noted unexpected reductions to certain areas of funding in 2024-25 and note that similar occurrences could have an impact on delivery of the financial plan.
- Waiting times commitments - The Scottish Government budget intimated a range of commitments associated with waiting times. The financial plan does not incorporate the financial impact of these as dialogue is ongoing.

While the Board has been able to produce a balanced budget, to achieve this position, the Board must deliver savings of £162.7 million and utilise sustainability funding from Scottish Government of £55.1 million. Given the 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 over 40% 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 in particular the delivery of £93.7 million of recurring savings in 2025/26.

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.

The Board submitted plans and secured funding for new investment initiatives for 2025/26. Further detail on these initiatives is set out on page 51. It is important that the Board progresses with plans to establish clear and transparent monitoring both of how the funding is spent but also the financial return and savings delivered.

Recommendation 1, Appendix E

| Sustainability and value group

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

In 2025/26, the S&V programme will be required to deliver £93.7 million of recurring savings. The £93.7 million has been allocated across areas to provide targets for saving delivery. The two most significant areas being infrastructure (£22.3 million) and prescribing (£20 million). As at March 2025, £51.7 million of savings identified have firm plans in place. Significant work will therefore 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 no significant gaps in the areas being targeted. The Board are also continuing to progress several back to balance actions which include switching agency use to bank for all areas; removal of high-cost medical locums and continuing the negotiation of non-framework agency.

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 has been required to respond to a number of significant but largely historical governance matters including in respect of the Skye House, the Scottish Hospitals Inquiry and the Healthcare Improvement Scotland Emergency department review. A need to improve culture is a key theme from both the HIS review and Skye House investigation. The Board is taking forward an improvement plan that will be designed to specifically address findings but also support the Board on their wider transformation programme.

A number of governance changes are being implemented for 2025/26, recognising the requirements to respond to the reform agenda, continue to respond to significant legal and regulatory activity and address concerns, particularly in respect of culture following recent reviews at Skye House and across the Board's emergency departments. The pace and level of changes being progressed are significant and there will be challenges encountered as these changes are implemented. Effective communication plans and monitoring of progress will be important to ensure effective implementation and allow the impact of the changes to be assessed.

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. 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 2025.

Due to delays with the finalisation of service auditor reports and internal audit reports, a complete annual governance statement was not available until June 2025.

We are satisfied that the governance statement is materially 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.

We note that the governance statement includes disclosure of a number of material matters including:

- ▶ QEUH and RHC inquiry and police investigation;
- ▶ UK Blood inquiry;
- ▶ East Dunbartonshire IJB finance system issues;
- ▶ Skye House investigation;
- ▶ Healthcare Improvement Scotland Emergency Department review;
- ▶ Procurement irregularities; and
- ▶ Qualification of the service auditor report in respect of the National IT Services contract.

| Internal audit

Internal audit's opinion was based on its agreed audit plan, as approved by the Audit and Risk Committee. Some delays were encountered in finalisation of the 2024/25 internal audit work programme with the final opinion shared in June 2025.

For 2024/25, 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.'*

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

| Governance arrangements

The Board has continued to review governance arrangements to ensure they remain appropriate.

During 2024/25, the Board experienced a period of significant change. In summer 2024, 6 non-executive directors concluded their 8-year appointment term, including both Vice Chairs. A recruitment campaign was successful with replacements taking up post from 1 July 2024. We are satisfied that there was appropriate transition arrangements during this period. Recognising the significant number of committees across the Board and IJB's, the Board is currently recruiting for two additional non-executives to ensure there is additional capacity.

At the Executive level, the Board's Medical Director and Chief Executive retired during 2024/25 and the Director of Finance has also announced that he will retire in November 2025. The Board appointed a new Medical Director in October 2024 and a new Chief Executive in February 2025.

The Board has continued to assess capacity at an executive level and has recently created a Deputy Chief Executive role who will be a formal member of the Board.

| 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. Updates on the Board's active governance programme have continued to be considered throughout 2024-25.

A self-assessment exercise was undertaken during November 2023 with development days in February and March 2024 to develop the Blueprint action plan which was approved by the Board in April 2024. Progress against the plan is monitored regularly through Board seminars and updates to the Board.

| NHS in Scotland: Spotlight on Governance

In May 2025, Audit Scotland published their [NHS in Scotland: Spotlight on Governance](#). The report highlights the new planning framework being put in place with plans for reform and improvement due later this year but notes that dealing with the change will be challenging. The Blueprint for Good Governance could be strengthened to more clearly set out how governance should be adapted to deliver the reform required.

Boards are using the Blueprint for Good Governance to develop and put plans in place to improve their own governance arrangements. External validation of the Blueprint self-assessment could help in identifying further improvement to governance.

Recommendation 4, Appendix E

| Governance updates

In April 2025, the Board agreed a number of changes to committee arrangements and executive oversight groups.

The Board has agreed, following a governance review, that the Acute Services Committee will be discontinued and that the business of that committee will be subsumed within other committees.

Updates have been made to the terms of reference of Clinical Care and Governance, Finance, Planning and Performance and Staff Governance Committees.

A new standing Committee, the People Committee has also been established. The overall purpose of the committee will be to shape the culture of the organisation. The committee held its first meeting in May 2025.

In addition, two new sub-committees of the board are being established: the Inquiry oversight sub-committee and the Interface sub-committee. Further details on the Inquiry oversight sub-committee are set out on page 47. The Interface sub-committee has been established to oversee the transformation and improvement programme including the establishment of the Interface Sector. Further changes are also planned to executive oversight groups in response to the current priorities and oversight required of these matters.

| 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 ('QEUH') 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 QEUH and RHC. The PMO is responsible for managing the inquiry requirements in terms of administration and document flow and assessment.

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 third set of hearings commenced on 19 August 2024 and concluded on 13 November 2024. This considered evidence on the safety and condition of water and ventilation systems. The length of this hearing was the most significant to date and required a significant amount of time from staff both responding to information requests and attending hearings.

The next set of hearings, known as Glasgow 4, are taking place throughout 2025. The first block of the Glasgow 4 hearings concluded on 30 May 2025 and heard evidence from representatives of the Board, Multiplex, IBI, Currie and Brown, Capita, ZBP and TÜV SÜD. These hearings considered matters in respect of design and construction, water and ventilation, budget processes and contract compliance.

Part two of Glasgow 4 are scheduled to begin on 19 August 2025. Further hearings will take place in September and October 2025, with closing submissions from November to January 2026.

| QEUH Legal Proceedings

In December 2019, the Board initiated court proceedings against the parties responsible for delivering QEUH/RHC construction project and engaged solicitors 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 the Board is being investigated under the

Health and Safety at Work Act 1974 and the Corporate Manslaughter and Homicide Act 2007. The Board 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. The Board continues to work closely with the NHS Scotland Central Legal Office 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.

| 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 reviews and police investigations.

The level of such activity has increased in recent years and continues to place additional pressure on key individuals.

The Board has been able to utilise existing processes designed for the QEUH inquiry to respond to these matters and prepares regular legal updates to the Audit and Risk Committee and Board as appropriate.

The Board has acknowledged the significant volume and profile of ongoing inquiries and regulatory matters. As a result, a new sub-committee of the Board has been recently established, known as the Inquiries Oversight Sub Committee, which will have oversight of inquiries and regulatory

matters with risk to organisational reputation ensuring effective governance and escalation to relevant standing committees or the Board. The Sub-Committee will be supported by a revised Executive Oversight Group which will have an expanded focus.

| Freedom of information

In 2024, the Board 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 was placed into Level 3 intervention on 17 June 2024 by the Scottish Information Commissioner.

An action plan was subsequently submitted to the commissioner setting out how the Board would improve performance. This plan was implemented during 2024/25 with additional resources provided, business engagement increased and a new case management system implemented.

Improvements were noted in performance during the year with the Board meeting the quarter 3 target of 85% of requests to be responded to within the statutory timescales. A further update will be presented to the Audit and Risk Committee in June 2025.

The Board remains on Level 3 escalation and therefore there should be the continued focus on ensuring compliance with the statutory requirements and the commissioner's targets.

| Skye House

Skye House provides inpatient treatment for young people with conditions such as severe depression, eating disorders, psychosis and obsessive-compulsive disorders. A BBC investigation in February 2025 identified a number of concerns over patient welfare and staff conduct.

An internal review of the quality of care at Skye House has commenced and the Board also requested an independent review of the unit. The timelines for completion and reporting of the outcome is still to be finalised. We will continue to monitor the Board's progress in conducting and cooperating with any reviews and how any actions arising are taken forward.

| Healthcare Improvement Scotland Emergency Department review

A review of the emergency departments at the Board was initiated by Healthcare Improvement Scotland following significant concerns raised by consultants within the emergency department at the Queen Elizabeth University Hospital. The review focused on three areas: patient experience, quality of care and leadership and culture.

The findings from the [review](#) were published in March 2025. While the review recognises that the Board is facing similar challenges of crowding and poor patient flow as other emergency departments across Scotland and the UK, it also raises a number of significant findings with a total of 41 recommendations. While the majority are for the Board's consideration, some are also for wider reflection across NHS Scotland.

In particular, the review notes that:

- There is a need for an explicit, stronger and practical demonstration of whole system working across urgent and unscheduled care. This needs to be underpinned by compassionate, proactive, respectful and positive leadership at all levels of the organisation, with a commitment to listen and appropriately respond to concerns raised by staff in a timely manner.
- There has been a serious breakdown in relationships between and within emergency department staff groups at the QEUH and between emergency department staff and senior leadership/management within the Board which is impeding potential solutions.

Overall, the report highlights a number of significant concerns including in respect of culture and communications.

In response to the report, the Board acknowledged the issues and committed to implementing improvements, pledged to address staff concerns and rebuild trust. A public Board meeting was held in April 2025 to consider the report and the Board's response. In addition, a number of meetings have taken place between board members and staff.

The Board has recognised the need for an improvement that both addresses the findings from the HIS review but also the wider environment and need for whole-system improvements. The GGC Way Forward framework is under development and will strategically oversee, develop and implement improvement actions plans across the Emergency departments and the wider organisation.

The framework will include a new governance structure with an Executive Oversight Group, chaired by the Chief Executive.

Once the necessary remedial actions and foundational improvements are successfully implemented, the intention is for the programme to merge with Reform 2025: Transforming together a unified strategic transformation effort.

The high-level principles for the framework have been agreed and work is now being undertaken to develop the detailed underlying improvement plans. It is important that the Board include clear actions within these plans which enable progress to be measured and monitored.

Recommendation 1, Appendix E

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 with substantial work taking place. More significant transformation and reform activity is planned both locally and nationally which includes establishing an Interface Division which will have responsibility for developing a 1000-bed virtual hospital and launching the Flow Navigation Centre Plus model. The Board has ambitious plans for whole-system reform and has been successful in securing additional funding from the Scottish Government to deliver these. Elements of the reform programme are the first to be implemented across healthcare in Scotland and therefore present a significant opportunity for the Board, but there will equally be notable pressure on the Board to be able to demonstrate performance of such initiatives.

The Board considered regular performance updates against the Annual Delivery Plan measures throughout the year. Overall performance has declined against the Board's KPIs during 2024/25, with 40% of targets being met compared to 57% in 2023/24. It should be noted that 25 targets were reported against in 2024/25 compared to 21 in 2023/24.

There continues to be significant challenges in performance across three key areas: cancer treatment times; accident and emergency treatment times and delayed discharges, 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. The Board has also been demonstrate improvement in performance other key metrics such as new outpatient activity, access to CAMHS and alcohol and drug waiting times.

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 context for operational performance within the health sector

The [NHS in Scotland 2024](#) report highlights that the NHS in Scotland is currently not able to keep up with increasing demand across the health and social care system with most waiting time standards not being met. Performance against individual standards varies across boards, however there are three standards which were not met by any board in 2023/24:

- People referred for a new outpatient appointment should be seen within 12 weeks.
- People should begin inpatient / day case treatment within 12 weeks of the decision to treat.
- People referred for planned care should begin treatment within 18 weeks.

While there have been increases to planned care activity, demand has also increased so waiting lists continue to grow. The report highlights that unless the NHS in Scotland increases hospital activity and transforms services to focus on prevention and care closer to home it is likely that waiting lists and waiting times will continue to grow. The need for reform is more urgent than ever. Its scale and pace must increase if pressing capacity and affordability issues are to be addressed.

| NHS Scotland reform and revised planning arrangements

In November 2024, the Scottish Government issued DL (2024) 31: 'A renewed approach to population-based planning across NHS Scotland'. This Director's Letter was to act as an enabler to reform and set out key actions for NHS Boards associated with the renewed approach to population planning across NHS Scotland, as set out in the National Clinical Strategy. The letter highlights a shift in how services are planned, organised, delivered and potentially funded to meet Scotland's changing needs and ensure high-quality, sustainable services. There is an increased requirement for boards to collaborate across boundaries and with the Scottish Government to implement these principles.

The First Minister's statement on Improving Public Services and NHS Renewal on 27 January 2025, emphasised the need for NHS boards to work collaboratively to achieve the principles and aims that he set out: improved access to services; shifting the balance of care to the community; focus on innovation to improve access to; and delivery of care.

As a result, a number of changes were made to the national governance arrangements with an update presented to the NHSGGC Board on these changes in April 2025. This included the Board acknowledging and endorsing the duality of their role for the population / Board they serve as well as their contribution to population planning that will cross traditional board boundaries and approved local implementation of this approach, consistent with DL (2024) 31 and 12 (J) of the 1978 of the NHS Scotland Act.

| Reform 25: GGC Way forward - Transforming together

Moving Forward Together ('MFT') was the Board's key strategic document which, in tandem with the annual delivery plan, described 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.

During the year, the Board has developed a new strategic improvement plan to transform unscheduled and planned care: 'Reform 25: GGC Way forward - Transforming Together.'

The GGC Way forward is a framework that will be developed to strategically oversee, develop and implemented improvement action plans across Emergency departments and the wider system across the organisation.

Reform 2025: Transforming Together is the Board's new transformation programme. There are four key elements to the whole systems acute improvement plan:

- Improve access;
- Harness digital and innovation;
- Shift the balance of care; and
- Improve population health.

The aim of the programme is to enhance demand management, patient flow, and overall experience for patients and staff. This involves testing and evolving systems in real time, establishing an Interface Division with strong clinical governance, and launching the Flow Navigation Centre Plus model.

Key actions include implementing eTriage units at all A&E sites, developing a 1000-bed virtual hospital with Doccla, and collaborating on care pathways and escalation triggers. Efforts also focus on optimising the five main access points, expanding access through the NHS Scotland App, and preparing for future AI and technological advancements.

As set out on page 44, the Board has established new governance arrangements to provide oversight of the new plans. This includes executive oversight groups for both Reform 25: Transforming together and GGC Way Forward.

These new arrangements remain in the early stages of development and implementation however given the need for change, plans will be taken forward quickly. It is important that the Board establish a clear performance framework for monitoring progress with both Reform 25 and the GGC Way Forward at both an operational and strategic level.

Recommendation 1, Appendix E

Performance reporting

Performance updates have been considered throughout the year at both Board and relevant committees. Performance reports are available to the public through 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 2024-25 annual delivery plan ('ADP') 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.

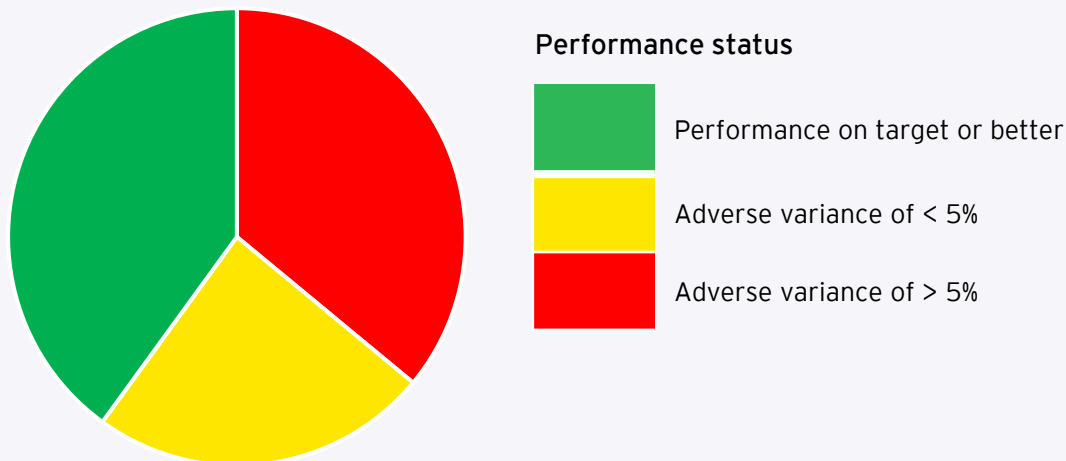
Performance against key non-financial targets is also set out within the 2024/25 annual report and accounts as illustrated in Exhibit 9, including the annual delivery plan targets.

This indicates a decline in performance with 40% of targets being met in 2024/25 compared to 57% in 2023/24. It should be noted that 25 targets were reported against in 2024/25 compared to 21 in 2023/24.

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

- **Accident and Emergency 4 hour Waiting times Standard** - the Board reported a 12-month average of 69.2% of patients were treated in line with the 4 hour waiting times standard against a national target of 95% and target of 70% (2023/24: 69.2%). This demonstrates a significant shortfall in performance against target but in line with 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. Additional investment in unscheduled care is anticipated through the GGC Way Forward Framework and a number of initiatives are underway to improve performance including promotion of the 'Right care, right place' campaign and a redirection programme. 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 waiting times performance and patient experience.

Exhibit 9: Board performance against annual delivery plan targets shows that 40% of targets were met.



Source: NHSGGC Financial statements 2024-25

- **Delayed discharges** - the Board reported that the number of acute delayed discharges was at 304 based on the monthly average against a target of 258 (2023/24: 297). The number of delayed discharges has increased significantly in recent years from approximately 100 patients pre-pandemic. Additionally, the Board reported that the number of mental health delayed discharges in year was 88 against a target of 58 (2023-24: 78). Despite establishing programmes such as the 'Discharge without Delay', performance in this area continues to decline. The Board continues to work with partners including the Health and Social Care partnerships and local authorities to improve this position.
- **Access to cancer services** - the Board reported that for the quarter ended March 2025, 68.3% of cancer patients started their first cancer treatment within 62 days of urgent referral with a suspicion of cancer against a national target of 95% (2023/24: 66.3%). While year on year performance has improved, performance is also below the target of 80% and is tracking below the national position of 73.5%.

The Board continues to observe a sustained increase in urgent suspicion of cancer referrals compared to pre-pandemic levels (76,925 in 2024/25 compared to 43,629 in 2019/20). A package of improvement actions continue to be implemented with a strategic focus on high volume and challenging patient pathways.

In addition to the areas of significant challenge in respect of performance, the Board has also been able to demonstrate improvement against other indicators. This has included:

- **New outpatient activity** - the Board reported new outpatient activity of 292,237 compared to a target of 273,456.
- **Alcohol and drug waiting time** - the Board exceeded the target of 90% by 5%.
- **Access to CAMHS** - the Board reported that 99.1% of eligible referrals started treatment within 18 weeks of referral against a target of 90%.

| Climate change

The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. While the Scottish Government announced in April 2024 that it would stand down its annual and interim targets for cutting greenhouse gas emissions, the long-term target to reach net zero by 2045 remains in place.

The Board's Climate change and sustainability strategy 2023-28 was approved in August 2023. The strategy sets out a 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.

A governance structure has been implemented to oversee progress in implementing the strategy. The Sustainability Governance Group reports into the Corporate Management Team as well the Financial, Planning and Performance Committee with an annual report provided to the Board. The first update on the strategy implementation was provided to the Board in December 2024. In addition, an Annual Climate Emergency and Sustainability report is produced in November each year with the 2023/24 report published in January 2025.

Sustainability continues to feature as part of the Board's Annual Delivery Plan, illustrating the commitment to integrate sustainability as part of standard planning arrangements.

| Workforce

The Board has an updated workforce strategy covering the period 2025-2030 and will be presented to the Board in June 2025. The strategy will continue to focus on the 4 pillars of:

- Health and wellbeing;
- Learning;
- Leaders; and
- Recruitment and retention.

Progress against the new plan continue to be monitored through the Board's Staff Governance Committee.

The Board continues to respond to changes in staffing requirements arising from agreements through recent pay awards and changes to legislation.

The Health and Care (Staffing) (Scotland) Act 2019 (HCSSA) was 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 to support high quality care for patients and users.

The Board established a programme board to oversee the programme to ensure compliance with the Act. Under the legislation, health boards, local authorities and integration authorities are required to submit annual reports to Scottish Ministers on compliance with the Act, high-cost agency use and any severe or recurrent risks.

The annual report was presented to the Board in April 2025 and noted that the assessment for the overall level of assurance NHSGGC's compliance with the act is reasonable assurance. We recognise the continued challenges and complexities in complying with the Act and will continue to assess progress made by the Board in reaching substantial assurance.

Best Value: Fairness and Equality

Our overall assessment: Green

The Board has structures in place to allow it to embed fairness and equality across the organisation and ensure that equality is maintained at the forefront of decision making.

The Board has recently launched A Fairer NHS Greater Glasgow 2025-29 and established a new People Committee. It will be important in the next year for the Board to give prominence to instilling a culture of equality while it also focuses on the Reform agenda.

In line with the Code of Audit Practice, there is an expectation that equalities will be advanced through the audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. This work has been performed during the 2024/25 audit and has been based on the Best Value in Public Services - Guidance to Accountable Officers.

NHS Greater Glasgow and Clyde has a range of legal duties and responsibilities relating to equality and are required to comply with a variety of legislation, including the Equality Act 2010, the Human Rights Act 1998 and the Public Sector Equality Duty 2025.

The Board has a Strategic Lead for Equality and dedicated Equality and Human Rights Team to ensure fairness and equality is embedded across the organisation. They are proactive in their approach to equalities and alongside key overarching strategic policies, have published a range of policies targeted towards the nine protected characteristic groups.

A Fairer NHS Greater Glasgow and Clyde

The Fairer NHS Greater Glasgow and Clyde 2025-2029 was presented to the Board in April 2025 and outlines the Board's commitments to a variety of mainstreaming and specific equality outcomes across the four-year period.

Monitoring of the prior strategy demonstrated the notable change that is being driven across the health board and the launch of the new 2025-2029 strategy marks an opportunity to continue the momentum of progress.

The People Committee

The Board recognises the importance of equality and diversity and has established a new standing committee to the Board, dedicated to overseeing culture, equality, diversity and inclusion. It will provide transparency, oversight and governance.

The terms of reference of the committee are reflective that the initial year will be transitional in nature, with the first official meeting having been held on 20 May 2025. It is recognised that 2025/26 will be a significant year for the committee as it establishes its ways of working and areas of focus.

Looking Forward

With an ambitious reform agenda ahead, the Board must continue to ensure equalities remain at the forefront. Tools already in place, such as Equality Impact Assessments, must be fully utilised to ensure the whole-system change takes accounts of all of the population's requirements.

Appendices

A

Code of audit practice:
Responsibilities

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Independence report

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Required communications with
the Audit and Risk Committee

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Timeline of communications and
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Prior year recommendation
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Additional audit information

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 2024 and March 2025
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 2024 and March 2025
Significant findings from the audit	▶ 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	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ 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	▶ 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	▶ 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.

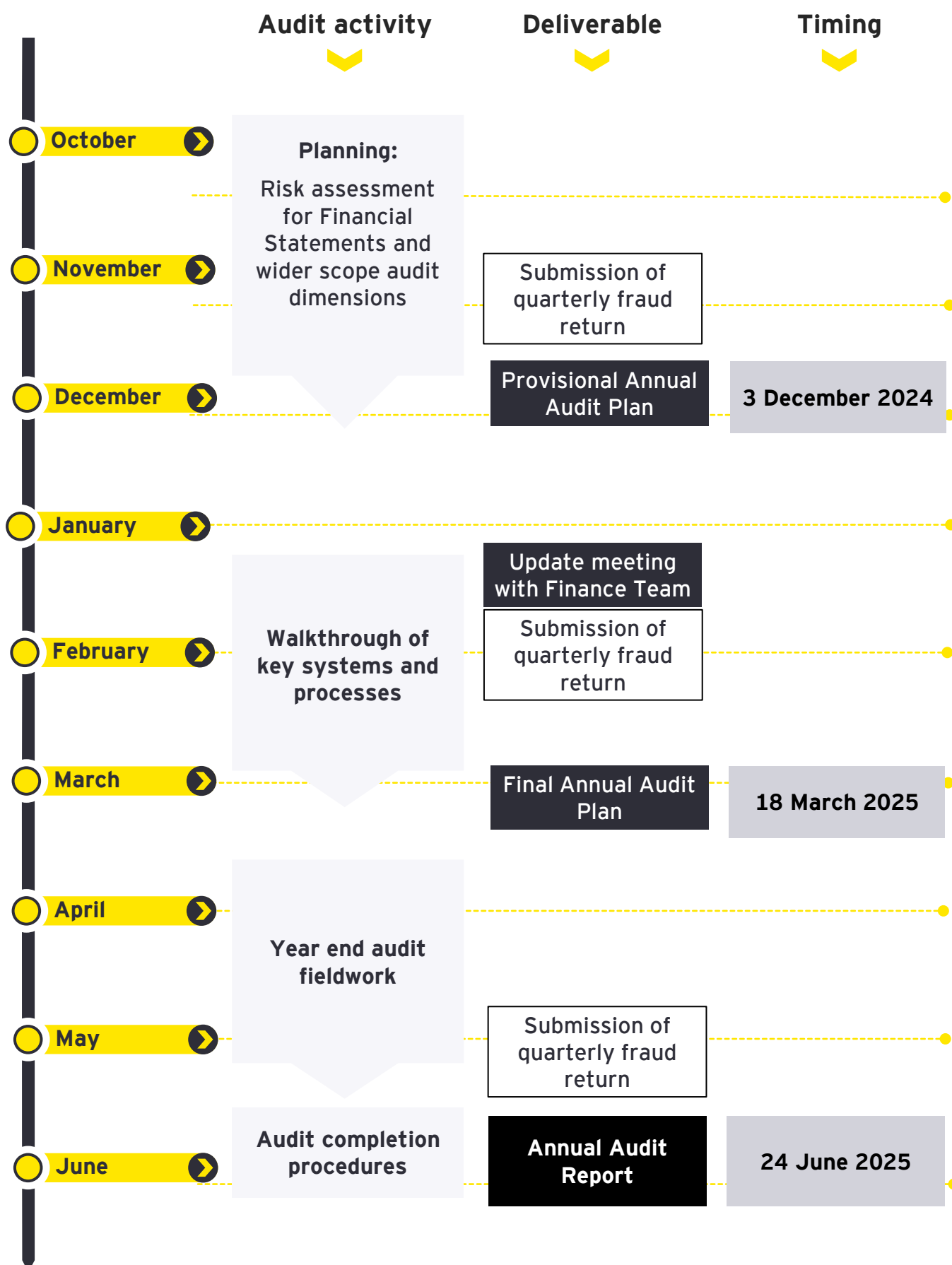
C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ 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	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ 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	▶ 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	▶ 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	▶ 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.	Monitoring of Reform and transformation programme The Board has ambitious plans for whole-system reform and has been successful in securing additional funding from the Scottish Government to deliver these. Elements of the reform programme are the first to be implemented across healthcare in Scotland and therefore present a significant opportunity for the Board, but there will equally be notable pressure on the Board to be able to demonstrate performance of such initiatives. This has been recognised by the Board with plans currently being developed to monitor the programme.	Management must ensure that there are robust processes to monitor performance against the Reform 25 strategy. This must also include detailed review of the financial implications of the programme on an ongoing basis as well as clear non-financial performance metrics. Grade 1	Response: Agreed - robust processes and monitoring is going to be put in place to monitor this funding. We have devised a template in conjunction with Scottish Government to allow regular monthly monitoring. Reporting will take place through the usual governance routes including CMT, FP&P and the Board. Responsible officer: Director of Finance Implementation date: August 2025

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
2.	Pharmacy system implementation The transition between pharmacy systems within the year involved significant manual input of data and required significant input from the pharmacy and finance teams with overtime being required to ensure operations continued. Once implemented the new system had a number of functionality limitations which required ongoing manual interventions. This included challenges with interfacing to the general ledger. Several payments on accounts were made to suppliers, and significant work was required retrospectively to match invoices.	Management should ensure that functionality issues with the CMM system are rectified timeously and that they work with the provider to pursue resolutions. Manual interventions have notable time implications and heighten the risk that prescribing expenditure is not recorded accurately. The Board should also ensure that a lessons learned exercise is performed and that learning is shared for consideration as part of future system change projects. Grade 2	Response: Agreed - as with any new system there are potential improvements to the new CMM system based on operational learning. NHSGGC are actively engaged with the supplier to review current functionality . Additional requirements have been specified/proposed and are being discussed with the supplier. A short, medium and long term development plan is expected over coming months. Responsible officer: Interim Director of Pharmacy Implementation date: 31st December 2025

E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3	Procurement irregularities - lessons learned Both a CFS investigation and internal audit review are underway in respect of the procurement irregularities and the Board are also considering current arrangements. It is important that all findings from each of the reviews are considered and any control enhancements made in a timely manner.	While noting that such practices can be hard to detect, the Board should ensure that any lessons are learned from this matter to enhance controls in respect of procurement with regular monitoring of compliance. This should consider findings from all reviews and investigations. Grade 2	Response: Agreed CFS will provide lessons learned to NHSGGC and other Boards after this investigation and this will be through our Fraud Liaison Officer. Internal Auditors have been commissioned to review our internal controls and suggest improvements which we will implement. Responsible officer: Assistant Director of Finance Implementation date: 31st March 2026

E

Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
4.	External review of Blueprint for good governance self-assessment The Boards has used the Blueprint for Good Governance to develop and put plans in place to improve their own governance arrangements. External validation of the Blueprint self-assessment could help in identifying further improvement to governance.	The Board should consider obtaining an external validation of the Blueprint self-assessment to help identify further improvements to governance arrangements. Grade 2	Response: We will consider a review in line with Scottish Government guidance. External validation has been carried out previously and if required it will be carried out again. Responsible officer: Director of Corporate Services and Governance Implementation date: November 2025

F Prior Year Recommendation Follow Up

This appendix sets out the open recommendations that were made in 2022/23 and 2023/24, 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, 10 recommendations are complete and 6 are partially complete. We have closed 1 recommendation where management have noted no further action will be taken and have deemed the risk of this to be low.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
1	Group oversight arrangement 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. 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. Grade 2	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 Responsible officer: Assistant Director of Finance - Financial Planning & Performance. Implementation date: 30 September 2024	Complete. While we note that challenges remain in respect of East Dunbartonshire IJB, there has been increased reporting and dialogue with the Council and IJB during the year. We also note that there has been enhanced reporting on IJBs to the Board.

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
2	Balance sheet reconciliations 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. 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. Grade 3	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. Responsible officer: Assistant Head of Financial Services Implementation date: 31 March 2025	Complete. We noted improvements to procedures in line with our recommendation. We identified a material disclosure misstatement in relation to SFR 30 balances which has been considered as part of recommendation 11.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
3	Depreciation policy review 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. Management should perform a review of their depreciation policy to ensure that useful lives assigned are representative of actual asset lives. Grade 2	Response: Agreed - we will review the depreciation policy to ensure reflective of asset useful lives. Responsible officer: Head of Financial Services Implementation date: 30 September 2024	Complete. Management performed a review of the Board's depreciation policy and determined that this remained appropriate. The policy is aligned to the Capital Accounting Manual.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
4	Yorkhill accounting and capital plans 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. 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. 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. Management should ensure that there is appropriate inclusion of future material disposals within capital plan reporting. Grade 2	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. Responsible officer: Assistant Director of Finance: Financial Services, Capital and Pay Implementation date: 31 March 2025	Partially complete. A technical accounting paper was submitted to the audit team later than the agreed submission date and was not fully updated for 2024/25. In line with prior year, we have noted a judgemental difference in respect of Yorkhill. A disposal strategy for the Yorkhill site was presented to CMT in March 2025 and to FP&P April 2025.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
5	Asset existence 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. 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. 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. A review of fully depreciated assets should be specifically performed on at least an annual basis. Grade 2	Response: Agreed: Process for confirming asset existence and notifying disposals to be reviewed. Also to review fully depreciated assets on a quarterly basis. Responsible officer: Assistant Director of Finance: Financial Services, Capital and Payroll Services. Implementation date: 30 September 2024	Partially complete. While we noted improved communications between the finance team and asset owners, our procedures relating to asset existence identified several assets which were being recognised that were no longer in use. A review of fully depreciated assets was performed towards the end of the year, however this was not done at the balance sheet date. Management could not evidence that some of those held at nil net book value were still in existence at year end with an adjustment noted in Appendix G.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
6	Savings plan reporting 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. 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. Grade 1	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. Responsible officer: Assistant Director of Finance - Financial Planning & Performance Implementation date: 31 December 2024	Complete. Enhanced reporting has now been included.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
7	Management capacity and transition arrangements 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. 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. 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. Grade 1	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. Responsible officer: Director of Corporate Services and Governance (Non-Exec members) Chief Executive (Executive members and capacity review) Implementation date: 31 December 2024	Complete. The Board has experienced turnover in both executive and non-executive members during the year with appropriate transition arrangements in place. The Board has also noted where additional capacity is required as evidenced through recruiting for two new non-executive members and appointment of a Deputy Chief Executive.

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
8	Financial Statement narrative 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. 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. Grade 2	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. Responsible officer: Asst Director of Finance - FS, C, & PS Implementation date: May 2024	Complete. An exercise was performed ahead of the year end to streamline the annual report and this was provided to audit with a mapping exercise to the FReM requirements.

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
9	Accounting assessments 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. 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. Grade 1	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. Responsible officer: Director of Finance Implementation date: May 2024	Complete. The Board prepared a number of accounting papers to support material amounts within their financial statements which carry significant judgement and estimation. This should remain an area of focus moving forward.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
10	Contract Management 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. 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. Grade 2	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. Going forward SLA's are in the process of being reviewed and updated and the new SLAs will include additional clarification around performance obligations. Responsible officer: Director of Finance Implementation date: 31 March 2024	Complete. A working group was established through the Technical Accounting Group to review the Service Level Agreements. An interim arrangement is in place with a review on future arrangements ongoing. The Board is looking to adopt a patient level costing system during 2025/26. We will consider future arrangements as part of future audits.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
11	Financial Statement classifications 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. 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. Grade 2	Response: Agreed. The core team will be up to full establishment from 2024/25 and will allow for additional reviews in year and at the yearend. Additional training will be delivered for key finance staff during the year and clarification will be sought through TAG as appropriate. Responsible officer: Assistant Directors of Finance Implementation date: 31 March 2024	Partially complete. While we note that training has been undertaken during the year, we have continued to identify a number of classification errors in the financial statements including a reoccurrence of a misclassification from prior year. Management should assess what further steps could be taken to prevent reoccurrence of this matter in future years.

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Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
12	Journal processing 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. Management should review the current processes in respect of journal postings and whether the book-keeping team should retain control of journal processing. Grade 2	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. Responsible officer: Assistant Directors of Finance Implementation date: 31 March 2024	Closed. 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.

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
13	Valuation of PPE 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. The Board should ensure that evidence is available to demonstrate their review and challenge of the valuations provided by the district valuer. Grade 2	Response: Agreed. The Board already reviews and challenges valuations as required however formal recording of this process will be tightened up. Responsible officer: Head of Financial Services Implementation date: 31 March 2024	Complete. Significant improvements were noted for assets which had been subject to formal valuation.

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
14	Inventory controls Our procedures in respect of inventory identified a number of errors and control weaknesses in process in respect of inventory counts. 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. Grade 2	Response: Agreed. Spot checks will be restarted in 2024/25. Responsible officer: Head of Financial Services Implementation date: 31 March 2024	Complete. While errors were noted at counts, these primarily related to issues in respect of the new prescribing system as noted in recommendation 2, Appendix E.
15	Medium-term financial plan 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. 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. Grade 1	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. Responsible officer: Director of Finance Implementation date: Ongoing	Partially complete. The Board submitted a three-year financial plan in March 2025 with cumulative deficit of £42.8 million across the 3-year period. The financial plan requires delivery of recurring savings significantly above what has been achieved in recent years.

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Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
16	Finance team skills and capacity 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. 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. Grade 1	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. Responsible officer: Assistant Directors of Finance Implementation date: 31 March 2024	Partially complete. While improvements have been noted in the capacity of the finance team following successful recruitment into posts, there remains dependency on a small number of key individuals.

F

Prior Year Recommendation Follow Up continued

Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
17	Remuneration report 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. 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. 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. Grade 2	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. Responsible officer: Head of Financial Services Implementation date: 31 May 2024	Partially complete The remuneration report was provided to audit notably later than the agreed timeline. Our review of the remuneration report identified a number of misstatements, largely attributable to the turnover within the executive team.

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Adjusted and unadjusted differences

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

Financial Statements 2024/25: Adjusted differences

No.	Description	Balance Sheet Debit/(Credit)				SOCNE Debit/(Credit)		Reserv es
		NCA £m	CA £m	NCL £m	CL £m	OCI £m	Surplus/ Deficit £m	
1	Misclassification of NHS Other UK Bodies and Private Sector Expenditure as NHS Scotland Bodies						1.5 5.4 (6.9)	
2	Accrual incorrectly reversed through prepayments		(5.37)		5.37			
3	Prepayment incorrectly recognised as accrual		4.4		(4.4)			
4	Valuation error due to software issue	(3.06)				3.06		
5	Prepayment incorrectly recognised as accrued income		11.26 (11.26)					
6	Misclassification of NHS Scotland Board income as Other Receivables		32 (32)					
7	Overstatement of bad debt provision		3.9			(3.9)		
8	Reclassification of research balances between current and non-current liabilities	27.5	(27.5)					
Total		24.44	24.57	-	0.97	(0.84)	-	-

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 2024/25: Unadjusted differences

No.	Description	Balance Sheet Debit/(Credit)				SOCNE Debit/(Credit)		Reserve s
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
		£m	£m	£m	£m	£m	£m	£m
1	FHS accrual update				4		(4)	
2	Release of deferred income without conditions				9.6		(9.6)	
3	CNORIS valuation difference		1.95		(3.0)		1.05	
4	Post balance sheet CNORIS update		4.975		(5)		0.025	
5	Judgemental valuation difference - Yorkhill	2.7				(2.7)		
Total		2.7	6.96	-	5.6	(2.7)	(12.56)	-

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Adjusted and unadjusted differences

Financial Statements 2024/25: Disclosure/other differences

No.	Description
1	An adjustment to Note 7a was required to correctly disclose transport additions from £2,400 to £2.4 million.
2	Note 17a was updated to remove £2.15 million of buildings revaluations from additions for right-of-use assets to revaluations.
3	The cost and accumulated depreciation of plant and machinery should be reduced by £6,592,699 to reflect fully depreciated 'initial equipping' assets which remain on the fixed asset register at year end but we have been unable to obtain evidence that they remain in use or exist at year end.. These are low value, high quantity pieces of equipment which were purchased for the opening of the QEUH and RHC hospitals in 2015 but have subsequently been replaced.

H Audit Fees

2024/25 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.

	2024/25	2023/24
Component of fee:		
▶ Auditor remuneration - expected fee	£433,220	£415,760
▶ Additional audit procedures (see below)	£238,300	£173,500
Audit Scotland fixed charges:		
▶ Pooled costs	£44,900	£50,260
▶ Audit support costs	-	-
Sectoral price cap	£69,240	£70,880
Total fee	£785,660	£710,400

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.

In line with previous years, 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. The first element of additional audit work required in 2024/25 related to additional recurring risk areas following our prior year audit findings including in respect of remuneration and staff report, accruals, PPE valuations (including RAAC impact) as well as the requirement for additional consideration required around the governance and associated disclosures related to the ongoing public inquiry and litigation related to the Scottish Hospitals Inquiry. In addition, for 2024/25, we undertook additional work in respect of the changes to group audit requirements, the change in prescribing system and in respect of the procurement irregularities.

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.

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.

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