

NHS

Lanarkshire

2024/25 Annual Audit Report



Prepared for NHS Lanarkshire and the Auditor General for Scotland
June 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2 There were a number of adjustments to the unaudited annual report and accounts. All audit adjustments required to correct the financial statements were processed by NHS Lanarkshire.

Wider scope and Best Value audit

- 3 NHS Lanarkshire met the three key financial targets set by Scottish Government for 2024/25 and achieved breakeven against its Revenue Resource Limit (RRL) of £1,860 million.
- 4 The 2024/25 funding gap was managed through additional funding and efficiency savings, however 40 per cent of these are on a non-recurring basis.
- 5 NHS Lanarkshire's medium-term financial plan identified a funding gap before savings of £27.150 million for 2025/26, increasing to a total funding gap before savings of £108.808 million over the following two financial years. NHS Lanarkshire have identified that their ability to deliver a balanced budget remains one of the highest corporate risks. For 2025-26 the risk of delivery of a break-even position has been assessed as High.
- 6 NHS Lanarkshire has a vision and organisational objectives which link to the 2024/25 Delivery Plan.
- 7 NHS Lanarkshire's programme of improvement is being delivered through Operation Flow, however overall performance is falling consistently below the targets set.
- 8 NHS Lanarkshire undertook a governance review in 2024 to support better scrutiny and strengthen leadership and oversight. The Board reports that the overall approach has supported more mature scrutiny, and better management of risk, better use of non-executives through committees and

stronger relationships between executives and non-executive board members.

- 9** The University Hospital Monklands Replacement Project full business case is on schedule for submission in late 2025.
- 10** Service performance against national waiting time standards is reported as being behind target. Five new strategic actions have been agreed with the aim to create the conditions for improvement during 2025-26.
- 11** NHS Lanarkshire has effective and appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of NHS Lanarkshire's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to NHS Lanarkshire and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. John Boyd, of Audit Scotland, has been appointed as external auditor of NHS Lanarkshire for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, John Boyd and the audit team are independent of NHS Lanarkshire in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from NHS Lanarkshire, including no provision of non-audit services.

Acknowledgements

4. We would like to thank NHS Lanarkshire and its staff, particularly those involved in the preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on NHS Lanarkshire's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on NHS Lanarkshire's arrangements for securing Best Value.
- Providing assurance on NHS Lanarkshire's consolidation schedule to facilitate the preparation of the health information included in the Scottish Government Consolidated Accounts.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of NHS Lanarkshire and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on NHS Lanarkshire's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve NHS Lanarkshire from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

NHS Lanarkshire's responsibilities

10. NHS Lanarkshire has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for NHS Lanarkshire and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to NHS Lanarkshire and the Audit and Risk Committee. Details of relevant national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

There were a number of adjustments to the unaudited annual report and accounts. All audit adjustments required to correct the financial statements were processed by NHS Lanarkshire.

Audit opinions on the annual report and accounts are free for material misstatement

12. NHS Lanarkshire and its group's annual report and accounts were approved by the Board on 26 June 2025 and signed by the appointed auditor on 26 June 2025. The Independent Auditor's Report is included in NHS Lanarkshire's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and accounts and working papers were received on 13 May 2025 in accordance with the agreed audit timetable. There were a number of sections of the Performance and Accountability Report that required to be completed and some supporting working papers were unavailable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £267,800. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Overall materiality has been set at £31.6 million

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the

financial statements or other information reported in the annual report and accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

17. Materiality levels for the audit of NHS Lanarkshire and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for NHSL and its group

Materiality	NHSL	Group
Materiality – set at 1.5 per cent of gross expenditure.	£31.65 million	£31.66 million
Performance materiality – set at 75 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£23.73 million	£23.74 million
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£1 million	£1 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for NHS Lanarkshire is the Audit and Risk Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
PECOS (pop) accrual The pop accrual is a monthly automatic journal which records goods received but not invoiced as at the year end. Once invoices are received, these should be matched against goods received notes on PECOS and removed. Of the total balance of £34.692 million, £15.370 million relates to 2024/25 (£6.461 million relates to 2023/24, £5.706 relates to 2022/23 and the remaining £7.155 million predates 31 March 2022). Audit sampling of 2023/24 and 2024/25 balances identified errors of £2.219 million. Errors have resulted due to the following control weaknesses: ▪ Multi-year contracts on at a value of one and receipted all together, rather than receipting individual years. This results in an overstatement of accruals and expenditure. ▪ Invoices approved and not matched to orders receipted, meaning that GRNI incorrectly includes orders which have been invoiced and paid. This results in an overstatement of accruals and expenditure. ▪ Manual monthly adjustments to balance out what is in the pop accrual are processed. This gives a risk that some items are missed or incorrectly coded. This includes accruals cancelled by posting to prepayments, which is an incorrect journal, and results in overstatement of both accruals (payables) and prepayments (receivables).	Based on the outcomes of the sample testing by Audit Scotland, management instigated an initial review of the POP accrual transactions focusing on the larger value transactions within the year-end total of £34.692 million. As a result of this initial review and in order to ensure the Balance Sheet is representative of the liabilities which are due but not yet paid the following has been agreed: ▪ Transactions pre 31 March 2022 will be written off with a corresponding reduction in Scottish Government allocations to recognise the nature of this historic correction. ▪ Correction of manual adjustments incorrectly posted to prepayments. ▪ In relation to the period 2022-23 to 2024-25, management have identified a number of transactions within their year-end balance which have either been paid in the period from 1 April 2025 or will be paid during 2025-26 in line with the submission of invoices from Suppliers. This leaves a balance of £12.5 million included within the accrual balance where management have not confirmed the liability. During 2025-26 management will undertake a detailed review of all transactions for the period 2022-23 to 2024-25 and any POP accrual transactions not deemed to be liabilities will be written off. Recommendation 1 (Refer Appendix 1, action plan)

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of NHS Lanarkshire's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by NHS Lanarkshire was assessed as part of the audit. These were considered to be appropriate to the circumstances of NHS Lanarkshire, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FreM).

Accounting estimates

24. Accounting estimates are used in number of areas in NHS Lanarkshire's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of NHS Lanarkshire has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts.

25. Significant judgements and sources of estimation uncertainty are disclosed at Note 1.30 to the financial statements. In our 2023/24 Annual Audit Report we highlighted that this disclosure is not fully compliant with IAS 1 in that it does not clearly explain the areas of estimation and their potential impact from any changes over the next twelve months. In line with IAS 1, information relating to the following should be provided:

- nature of the assumption or other estimation uncertainty
- sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
- expected resolution of an uncertainty and the range of possible outcomes within the next financial year in respect of the carrying amounts of the asset and liabilities affected
- explanation of changes made to past assumptions concerning those assets and liabilities if the uncertainty remains unresolved.

26. As detailed in Appendix 1, management have advised that during 2025/26 they will review the current disclosure against the requirements outlined.

Disclosures in the financial statements

27. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as valuation of PPE and provisions.

Group audit

28. NHS Lanarkshire is part of a group and prepares group financial statements. The group is made up of four components, including NHS Lanarkshire which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. The audit work performed on the group's components is summarised in [Exhibit 3 \(page 13\)](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
NHS Lanarkshire	Audit Scotland Fully scope audit of NHS Lanarkshire's annual report and accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2.
North Lanarkshire Integration Joint Board	Audit Scotland Risk assessment questionnaire.	A review of the risk assessment questionnaire was undertaken together with analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
South Lanarkshire Integration Joint Board	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Lanarkshire Health Board Endowment Fund	Azets Audit Services Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

Significant matters discussed with management

29. All significant matters identified during the audit and discussed with NHS Lanarkshire's management have been reported in the Annual Audit Report.

Audit adjustments

30. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £1 million are outlined in [Exhibit 4, \(page 15\)](#).

Exhibit 4

Audit adjustments

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Adjustment to POP accrual to write off transactions prior to 31 March 2022 and to adjust incorrect posting to prepayments.			7,202	9,160	1,958
2. Increase to both Integration Joint Board income and expenditure to recognise finalised set aside budgets.		1,105	1,105		
3. Inclusion of share of investment in IJB.			2,584	2,584	
Net impact on financial statements		9,786			9,786
Audit adjustments in disclosures					
Classification error identified correction of £3.578 million required to reallocate to trade payables from other payables within Note 12.					
Adjustment to movements in working capital of £4.626 million required to Consolidated Statement of Cashflows and within note 2b to the cash flow statement.					

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)
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Note 16: Commitments: The Accounts Manual states that the capital commitment note should disclose future commitments, defined as obligations to make payments for which provision has not been made in the accounts. NHS Lanarkshire had disclosed £16.5 million within note 16. As the balance of £16.5 million has already been disclosed in the accounts against the PFI liability this does not meet the criteria for the capital commitments note. This has now been corrected.

Source: Audit Scotland

31. In addition to the corrected misstatements outlined in [Exhibit 5](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor’s Report.

32. It is the auditor’s responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of NHS Lanarkshire have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with the Audit and Risk Committee as those charged with governance.

33. Details of the uncorrected misstatements can be seen in [Appendix 2](#).

Significant risks of material misstatement identified in the Annual Audit Plan

34. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5, \(page 16\)](#).

Exhibit 5

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Risk of fraud over expenditure In line with <i>Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Our audit focus is on transactions around the year end where we consider greatest incentive for management to understate non-pay expenditure due to significant pressure from stakeholders to break-even.	The audit team will: • Assess the design and implementation of controls over non-pay expenditure processing via walkthroughs. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of non-pay expenditure transactions and other adjustments. • Detailed testing of non-pay expenditure transactions with a focus on significant risk areas, including year-end and post-close-down entries.	Audit work performed found: • The design and implementation of controls over non-pay expenditure processing via walkthroughs were appropriate. • No inappropriate or unusual activity relating to the processing of non-pay expenditure transactions and other adjustments was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of non-pay expenditure transactions with a focus on significant risk areas, including year-end and post-close-down entries. Conclusion: We did not identify any areas that would impact the risks of fraud over expenditure.

Risk of material misstatement	Planned audit response	Outcome of audit work
Valuation of property, plant and equipment NHS Lanarkshire held £677.449 million of property, plant, and equipment (PPE) at 31 March 2024, of which £595.663 million was land and building assets. NHS Lanarkshire is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated replacement cost (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Review reports from the valuer to confirm overall asset valuation movements. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value of assets in the Statement of Financial Position not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • The reports from the valuer confirmed the overall asset valuation movements. • Management are involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2024/25 valuation process were appropriate. • Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end. Conclusion: the valuation of PPE is not materially misstated.

Source: Audit Scotland

Prior year recommendations

35. NHS Lanarkshire has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with NHS Lanarkshire and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Conclusion

NHS Lanarkshire met the three key financial targets set by Scottish Government for 2024/25 and achieved breakeven against its Revenue Resource Limit (RRL) of £1,860 million.

The 2024/25 funding gap was managed through additional funding and efficiency savings. The 2024/25 funding gap was managed through additional funding and efficiency savings, however 40 per cent of these are on a non-recurring basis.

NHS Lanarkshire's medium-term financial plan identified a funding gap before savings of £27.150 million for 2025/26, increasing to a total funding gap before savings of £108.808 million over the following two financial years. NHS Lanarkshire have identified that their ability to deliver a balanced budget within the medium term remains their highest corporate risk.

NHS Lanarkshire has a vision and organisational objectives which link to the 2024/25 Delivery Plan.

NHS Lanarkshire's programme of improvement is being delivered through Operation Flow, however overall performance is falling consistently below these targets.

NHS Lanarkshire undertook a governance review in 2024 to support better scrutiny and strengthen leadership and oversight. The board reports that the overall approach has supported more mature scrutiny, and better management of risk, better use of non-executives through committees and stronger relationships between executives and non-executive board members.

The University Hospital Monklands Replacement Project full business case is on schedule for submission in 2025.

Service performance against national waiting time standards is reported as being behind target. Five new strategic actions have been agreed with the aim to create the conditions for improvement during 2025-26.

NHS Lanarkshire has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

36. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

37. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements NHS Lanarkshire has in place for each of these is reported in this chapter.

Duty of Best Value

38. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

39. Consideration of the arrangements NHS Lanarkshire has in place to secure Best Value has been carried out alongside the wider scope audit.

Significant wider scope and Best Value

40. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit

Exhibit 6
Significant wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability There is significant financial uncertainty facing NHS Lanarkshire. The 2024/25 Financial Plan projected a budget gap of £45.806 million (after potential savings) for 2025/26 representing a significant challenge in delivering services in a financially sustainable way. This is driven through a combination of inflationary pressures on pay and non-pay costs, demand driven pressures and funding allocations not increasing to offset these costs. Potential efficiency savings realised are generally on a non-recurring basis rather than on a sustainable recurring basis. This will result in added pressure in subsequent years as budgets become increasingly constrained.	The audit team will: • Review NHS Lanarkshire’s annual budget setting arrangements. • Review and assess budget monitoring arrangements. • Review NHS Lanarkshire’s medium to longer-term financial planning including how NHS Lanarkshire aligns savings plans and transformation activity with strategic priorities. • Review NHS Lanarkshire’s ongoing financial position and delivery of planned savings.	Audit work performed found: • NHS Lanarkshire has medium term financial plans which are appropriate to its circumstances. • The assumptions made in the financial plans are reasonable. • The financial plans being developed are being aligned to NHS Lanarkshire’s Corporate Plan and priorities. Conclusion: NHS Lanarkshire is making appropriate arrangement to develop medium and longer-term financial plans, and these are linked to its Corporate Plan and priorities.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

NHS Lanarkshire met the three key financial targets set by Scottish Government for 2024/25 and achieved breakeven against its Revenue Resource Limit (RRL) of £1,867 million

- 41.** The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within.
- 42.** As a result [Exhibit 7](#) shows that NHS Lanarkshire operated within the 3 key financial targets set by Scottish Government during 2024/25.

Exhibit 7

Performance against resource limits in 2024/25

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	1,846.497	1,843.164	3.333
Non-core revenue resource limit	13.188	13.188	0
Total revenue resource limit	1,859.685	1,856.352	3.333
Core capital resource limit	79.709	79.709	0
Non-core capital resource limit	0	0	0
Total capital resource limit	79.709	79.709	0
Cash requirement	2,033.420	2,033.420	0

Source: NHS Lanarkshire Annual Report and Accounts 2024/25

The 2024/25 funding gap was managed through additional funding and efficiency savings. The 2024/25 funding gap was managed through additional funding and efficiency savings, however 40 per cent of these are on a non-recurring basis.

43. NHS Lanarkshire's 2024/25 financial plan in March 2024, identified a budget gap of £54.589 million between projected costs and income. Initial efficiency schemes identified savings of £48.342 million which left an unidentified funding gap of £6.247 million. For the year ended 31 March 2025 the Board had managed to deliver a breakeven position against targets. Key elements in achieving this included:

- Efficiency savings of £45.555 million of efficiency savings achieved however 40 per cent of these are on a non-recurring basis
- Scottish Government releasing £6.036 million of additional funding to support New Medicines
- Financial planning estimates and known commitments lower than expected

44. Financial breakeven was achieved in 2024/25, however, there has been reliance on non-recurring income and non-recurring savings to achieve a break-even position.

There are assurance gaps in the general IT controls for eFinancials and PECOS systems

45. Across the NHS in Scotland a number of shared services exist and therefore NHS Lanarkshire's control environment includes externally provided services from:

- NHS National Services Scotland (NSS) provision of Practitioner and Counter Fraud Services (primary care payments) and the national IT controls
- NHS Ayrshire and Arran provision of the National Single Instance eFinancials service
- Elcom who provide Professional Electronic Commerce Online System (PECOS) the eProcurement system used by NHS Boards across Scotland.

46. The NHS in Scotland procures several service audits each year to provide assurance on the controls operating within the shared systems. As part of our overall audit approach we consider the evidence from service auditors of NHS NSS and NHS Ayrshire and Arran to inform our risk assessment procedures.

47. The Practitioner and Counter Fraud Services the Type II service audit resulted in an unqualified opinion, i.e. the controls tested operated effectively during 2024/25.

48. The national IT services contract the Type II service audit resulted in a qualified opinion on the controls relating to access to the systems as the controls associated with the objective '*Controls provide reasonable assurance that logical access to applications, operating systems and databases is restricted to authorised individuals*' did not operate effectively during the year.

49. NHS Ayrshire and Arran procures a Type II service audit of the National Single Instance (NSI) eFinancials services. The service auditor assurance reporting in relation to the NSI eFinancials was unqualified. The assurance gap identified in previous years for the IT general controls, system backup and disaster recovery remains. Although this assurance gap did not impact on the board's systems this year, there remains a risk for future years.

50. All boards should ensure that going forward they are satisfied that controls over the NSI eFinancials system are adequate in the absence of these service auditor assurances. NHS Ayrshire and Arran are working with NHS National Services Scotland to expand the service audit scope to cover this assurance gap for 2025/26.

51. These service audit reports were presented to the Audit and Risk Committee meeting on 4 June 2025 and have been referred to in the Governance Statement included within the board's 2024/25 Annual Accounts.

52. NHS Lanarkshire uses the PECOS purchase to pay application. The PECOS application is available to all Scottish public sector bodies under the Scottish Government (SG) eCommerce shared service license agreement. In November 2024, the hosting arrangements of the PECOS application changed from being held at the SG's Saughton House data centre to being held and managed externally from the SG by third-party provider, Elcom.

53. While the SG own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom. NHS Lanarkshire has not received any assurances around the operation of these controls at the third-party provider.

54. NHS Lanarkshire is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there are no adverse impact on the board's system of internal control or governance arrangements in respect of the use of the PECOS application.

55. We have considered the content of these service auditor assurance reports. We have received adequate audit assurances on the board's financial systems from our audit work, and our audit opinions are not impacted by the service auditor qualifications.

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

56. The audit work performed on the arrangements NHS Lanarkshire has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by NHS Lanarkshire:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Risk Committee.

Financial Sustainability

NHS Lanarkshire's medium-term financial plan identified a funding gap before savings of £27.150 million for 2025/26, increasing to a total funding gap before savings of £108.808 million over the following two financial years

57. NHS Lanarkshire's 2025/26-2027/28 financial plan was endorsed by the Board on 27 March 2025 for submission to Scottish Government. Forecasts in the financial plan are based on several assumptions including allocation uplifts, inflationary costs and pay growth. It also considers the impact of known commitments made by NHS Lanarkshire over the three-year period.

58. This has been used to estimate the additional financial gap which must be addressed each year. The financial plan forms part of NHS Lanarkshire's reporting requirement to Scottish Government and is updated annually.

59. The projected outturn for NHS Lanarkshire is a balanced position in 2025-26 followed by the next two financial years showing projected gaps after applying identified Sustainability & Value schemes.

Exhibit 8 Category	NHS Lanarkshire 2025/26	NHS Lanarkshire 2026/27	NHS Lanarkshire 2027/28
Underlying deficit carried forward	(39,203,511)	(73,218,358)	(63,831,256)
Income	120,444,139	63,284,989	64,776,783
Expenditure	(108,391,064)	(49,841,794)	(49,978,390)
Gap before sustainability & value schemes	(27,150,437)	(59,775,163)	(49,032,863)
Recurring sustainability & value schemes	9,208,004	18,500,000	14,500,000
Non recurring sustainability & value schemes	17,941,433	10,697,497	9,611,625
Total sustainability & value schemes	27,150,437	29,197,497	24,111,625
Gap sustainability & value schemes	0	(30,577,666)	(24,921,239)
Deficit and % baseline allocation	0.00 %	(2.68) %	(1.37) %

NHS Lanarkshire 2025-26 to 2027-28 Draft 3 Year Financial Plan

60. The forecast for 2025/26 prior to applying the sustainability and value scheme is £27.150 million. The gap has been balanced using a combination of recurring savings of £9.209 million and non-recurring savings of £17.941 million.

61. The 2025/26 gap between projected costs and income and the scale of the savings to be delivered is the single largest financial risk facing the Board. There are a number of factors the Board has identified which could increase this, which include:

- The pay award agreed for all NHS Lanarkshire staff groups not being fully funded by Scottish Government
- Supplies inflation averaging more than the Financial Plan estimates.
- As all NHS Boards face gaps in their financial plans there is a risk that additional income is sought by other NHS Boards from those using their services. This is material risk for NHS Lanarkshire due to the extent of cross boundary flow with every 1 per cent increase equivalent of £3.8 million.

62. The Board recognises that further savings plans need to be identified, and it is expected that more detailed delivery plans linked to the approved 2025-26 Sustainability & Value programme will be identified. (to update).

63. For 2026/27 and 2027/28, it is projected that the funding gap before savings will be £108.808 million (£59.775 million in 2026/27 and £49.033 million in 2027/28) over the following two financial years, as detailed in Exhibit 8 above. After applying the sustainability and value scheme savings (and the recurring savings identified for 2024/25) will continue to increase to £55.499 million (£30.577 million and £24.921 million respectively). NHS Lanarkshire have identified that their ability to deliver a balanced budget within the medium term remains one of the highest corporate risks.

64. Recognising that the scale of the overall financial challenge varies across boards, NHS Boards have been categorised into three groups (Tailored Support; Enhanced Monitoring and Quarterly Engagement), to ensure Scottish Government support is directed based on need. NHS Lanarkshire is categorised as a Board with Quarterly Engagement (the lowest level of assessment).

65. Whilst we recognise that a range of improvement activity is taking place across NHS Lanarkshire, recurring pressures are currently being met with a combination of recurring and non-recurring solutions but with an underlying reliance on non-recurring savings.

Recommendation 2

An effective long term financial sustainability plan needs to be introduced, and decisions about the way services are delivered in the short, medium and longer-term based on information about the cost and impact of all available options. Detailed scenario planning should also be undertaken to support the Board in the evaluation of the various reform options.

NHS Lanarkshire has appropriate arrangements for securing financial sustainability

66. The audit work performed on the arrangements NHS Lanarkshire has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by NHS Lanarkshire:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits.

Vision, Leadership and Governance

NHS Lanarkshire has a vision and organisational objectives which link to the 2024/25 Delivery Plan

67. NHS Lanarkshire's vision is *'To enable healthier, longer lives by delivering compassionate, innovative, sustainable and high quality health and care services that empower people and reduced inequalities'*. This is supported by four corporate objectives which cover the broad themes of **Better Health, Better Care, Better Value and Better Workplace**.

68. For 2022/23 and 2023/24 NHS Boards were required to produce an Annual Delivery Plan. For 2024/25 this has been replaced with a Delivery Plan (DP) that describes actions to deliver on the priorities of NHS Scotland and the Scottish Government. The Board approved the 2024/25 Delivery Plan in May 2024.

69. NHS Lanarkshire's 2025/26 Delivery Plan (DP) was developed in response to the Scottish Government's guidance issued in December 2024. Development of the plan was co-ordinated between January and March 2025 with involvement from members of the Corporate Management Team and other key stakeholders. The final draft DP was submitted to the Scottish Government in March 2025 and a formal letter of response from Scottish Government was received in May 2025. Specifically, Scottish Government:

- welcomed the approach being taken by NHS Lanarkshire to develop service delivery and financial planning in an integrated way, ensuring that patient safety and front line services are appropriately prioritised whilst working within agreed budgets.
- was pleased to note that the Delivery Plan set out how NHS Lanarkshire's reform agenda aligns with the national reform and renewal programme, and that local planning over the next year will be shaped by

the Operational Improvement Plan (OIP), Population Health Framework and Service Renewal Framework.

- recognised the ongoing challenges and acknowledged that planning is currently set within a landscape of uncertainty and risk. As such it was stressed that NHS Lanarkshire's plan must remain dynamic and responsive to the fluid environment.

70. The Board approved the 2025/26 Delivery Plan in May 2025.

NHS Lanarkshire's programme of improvement is being delivered through Operation Flow, however overall performance is falling consistently below these targets

71. NHS Board Chief Executives and senior teams are responsible for the delivery of critical day-to-day services as well as leading the changes to how services are accessed and delivered in their boards. This places significant demands on senior leadership teams. Board executive and non-executive directors have some challenging decisions to make with regard to how services are best delivered in the current financial climate.

72. A three-stage transformation programme, Operation FLOW, was initiated in early 2023 following visits to other health systems, research on effective interventions and experience from NHS Lanarkshire's own improvement activity.

73. Updates on Operation Flow progress are considered by the Board. At the Board meeting in May 2025 the report highlighted the local improvement trajectories agreed for 2024-25 have been extremely challenging with NHS Lanarkshire's overall performance falling consistently below these targets. Furthermore, performance during 2024-25, although subject to some variation, has not demonstrated sustained improvement.

74. To address and improve performance for 2025-26 the report noted a whole system commitment to a reinvigorated implementation of agreed medium term improvement activity which is focused on safe and appropriate management of unscheduled care demand and reducing acute hospital occupancy levels to improve safety and flow for frontline staff and patients. Five new strategic actions have been agreed with the aim to create the conditions for improvement during 2025-26.

NHSL is revising governance to support better scrutiny

75. Audit Scotland reported in [NHS in Scotland: Spotlight on governance](#) (May 2025) that NHS boards' ability to drive reform is constrained by the financial, policy and planning parameters set by the Scottish Government. A new planning framework is being put in place and new national strategies and plans for reform and improvement are due this year.

76. NHS Lanarkshire was one of the NHS Boards where field work was undertaken to support the findings within the national report. The case study on NHS Lanarkshire detailed within the report is summarised below.

Case study 1.

NHS Lanarkshire: Revising governance to support better scrutiny

NHS Lanarkshire undertook a governance review in 2024 to support better scrutiny and strengthen leadership and oversight. The review took place as part of the board's continuous improvement approach and to address issues such as capacity in the Performance Planning and Resource Committee to adequately carry out its scrutiny role. The governance review led to:

Introduction of a new board subcommittee structure – In June 2024, governance committees were reviewed and updated, terms of reference were revised, and four new sub committees were formed to support the Performance Planning and Resource Committee. These have allowed deeper dives on key issues and provide greater assurance to the overall board. Subcommittees include:

- an interface performance subcommittee – to focus on issues around integration arrangements
- a finance and resources subcommittee
- a hospital services subcommittee – focused on acute services
- and a Monklands project subcommittee.

New Integrated Performance and Quality Report (IPQR) – The IPQR is a new data led performance reporting tool, made up of standardised performance indicators. It is updated with new data monthly and provided to all committees to allow performance to be monitored and tracked over time. Board members report that the data gets richer month on month, and allows committees to undertake 'deep dives'. The report also supports openness and transparency, providing a single source of truth on performance for the board to consider.

New approach to risk – Following a review, a new approach to risk management was introduced in autumn 2024. This included a review of all corporate risk descriptions and which governance committees they are aligned to. All risks on the corporate risk register are updated and reported monthly. Risk statements are clearer – 'there is a risk to X, due to y, resulting in z'. Understanding the root cause of risk has helped in setting out mitigation. The board reports that there is now more ownership of risk, that risk is now the first item on most agendas and that there are better conversations on risk. Further work is to be done on risk appetite which is important as the board considers how to do things.

The board reports that the overall approach has supported more mature scrutiny, and better management of risk, better use of non-executives through

committees and stronger relationships between executives and non-executive board members.

Source: Audit Scotland

Governance arrangements are appropriate and effective

77. The audit work performed on the arrangements NHSL has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by NHSL:

- having a Corporate Plan in place, supported by Operational Plans, that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, both internally and externally, that is linked to its Operational Plans, and effective scrutiny and challenge of performance provided by the Audit and Risk Committee.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

Use of Resources to Improve Outcomes

The University Hospital Monklands Replacement Project full business case is on schedule for submission in 2025

78. In June 2024, North Lanarkshire Council granted full planning permission for the new University Hospital Monklands. This milestone allows the project to move from planning into the next phase of development, including enabling works and finalising the Full Business Case (FBC). NHS Lanarkshire has been progressing the FBC, which is on schedule for submission in 2025. The FBC will set out the detailed financial, design, and operational plans, to ensure the hospital meets both local and national healthcare priorities.

79. In preparation for full construction, tree works and site clearance began in early 2024 to ensure the hospital is built in a way that balances environmental sustainability with infrastructure needs. The new University Hospital Monklands is set to become Scotland's first fully digital hospital and a net-zero carbon facility.

80. In August 2024, NHS Lanarkshire ran its second Summer School programme, introducing young people from local schools to potential careers in healthcare, construction, and facilities management. The programme hopes to

inspire the next generation of NHS staff while engaging the community in the hospital's development.

81. With the Full Business Case planned for 2025, NHS Lanarkshire remains on track for the new University Hospital Monklands to open its doors in 2031.

Service performance against national waiting time standards is reported as being behind target

82. The 2024/25 annual report and accounts reports on NHS Lanarkshire's performance against its national waiting time standards. Performance is considered at each Board meeting, and reporting acknowledges the challenges facing NHS Lanarkshire.

83. While these are not currently the Board's only focus for performance monitoring, they provide context for the scale of the impact of the pandemic of the delivery of health services. [Exhibit 9](#) demonstrates trends in demand and activity.

84. In terms of demand, the number of patients waiting for diagnostic tests has significantly reduced during 2024/25, however outpatient appointments remain significantly higher than pre pandemic levels. Activity levels show both the number of inpatient admissions and outpatient appointments reducing during 2024/25. The length of waits data shows the number of inpatient and outpatient admissions continue to rise, with outpatient waits remaining significantly higher than pre pandemic levels they have started to level off.

85. [Exhibit 10](#) provides a comparison of performance against key waiting time standards against prior years. Performance against cancer targets remains high and above both national targets and the Scottish average. Pressures on new outpatient waiting times, patient treatment time guarantee, and A&E attendees remain challenging and are still significantly below pre-pandemic figures. Addressing this backlog, demonstrates the need for service transformation to support patient care and long term financial sustainability.

NHS Lanarkshire has appropriate arrangements for performance monitoring

86. The audit work performed on the arrangements NHSL has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by NHSL:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

Conclusions on duty of Best Value

87. The 2024/25 Internal Control Evaluation report recommended that the three yearly review of Best Value be reviewed, and the Audit and Risk Committee agree the frequency and proportionality of reporting on Best Value when considering the next update. Management have agreed to complete an assessment of best value bi-annually, and that this is presented to the Audit and Risk Committee with any material changes reported as exception items. The intention is to present this report as part of the external audit process for 2025/26.

88. The audit work performed on the arrangements NHSL has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- NHSL having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements.
- the arrangements NHSL has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- progress NHSL is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Exhibit 9

NHS Lanarkshire trends in demand and activity per acute services

	March 2022	March 2023	March 2024	March 2025	
Demand					Change (%)
Ongoing waits for diagnostic tests	21,706	21,211	22,331	17,030	-21.54%
Ongoing waits for an inpatient or day case admission	11,997	11,945	12,082	13,004	8.39%
Ongoing waits for a new outpatient appointment	38,971	56,892	57,403	57,995	48.82%
Activity					Change (%)
Number of scheduled elective operations in theatre system	3,648	4,758	5,344	4,648	27.41%
Number of inpatient and day case admissions	2,962	4,572	4,755	4,134	39.57%
Number of new outpatient appointments	26,927	27,464	34,305	32,004	18.85%
Length of waits					Change (%)
Ongoing waits longer than 6 weeks for diagnostic tests	13,506	12,282	12,300	7,443	-44.89%
Ongoing waits longer than 12 weeks for an inpatient or day case admission	8,669	7,718	7,672	8,286	-4.42%
Ongoing waits longer than 12 weeks for a new outpatient appointment	16,270	32,467	35,841	36,414	123.81%

Exhibit 10

Performance against key waiting time standards

Target/standard	Performance as at March 2023 (*)	Performance for the year ended 31 March 2024	Performance for the year ended 31 March 2025
CAMHS 18 Weeks Proportion of patients that started treatment within 18 weeks of referral	29.0%	46.2%	77.1%
Psychological therapies Waiting time within 18 weeks	85.8%	80.2%	74.3%
Drug and Alcohol 21 days Proportion of drug and alcohol patients that started treatment within 21 days	94.2%	92.0%	95.5%
18 Weeks RTT Proportion of patients that started treatment within 18 weeks of referral	63.4%	61.3%	61.1%
Patient Treatment Time Guarantee (TTG) Proportion of inpatients or day case that were seen within 12 weeks	45.8%	49.7%	45.8%
Outpatients waiting less than 12 weeks Proportion of patients on the waiting list at month end who have been waiting less than 12 weeks since referral at month end	61.3%	56.5%	57.7%
A & E attendees Proportion of A & E attendees who were admitted, transferred, or discharged within 4 hours	57.1%	58.0%	55.1%
Cancer 31 Days RTT Proportion of patients who started treatment within 31 days of decision to treat	94.8%	95.7%	97.8%
Cancer 62 Day RTT Proportion of patients that started treatment within 62 days of referral	74.3%	80.3%	94.3%

***2023 figures report performance as at March 2023 rather than performance over the year.**

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. PECOS accrual The pop accrual is a monthly automatic journal which records goods received but not invoiced as at the year end. Errors have resulted due to the following control weaknesses - Multi-year contracts not being correctly receipted for individual years. - Invoices approved and not matched to orders receipted. - Manual monthly adjustments resulting in items being omitted or incorrectly coded.	Recommendation NHSL should review arrangements and controls in place to ensure PECOS accruals only reflect items not yet invoiced in year.	Management Response Accepted Management will review of the processes surrounding the POPs accrual 2025-26 and will review historic liabilities as per exhibit 2. Responsible Officer: Deputy Director of Finance – Corporate Agreed date: November 2025
2. Financial sustainability Whilst we recognise that a range of improvement activity is taking place across NHS Lanarkshire, recurring pressures are currently being met with a combination of recurring and non-recurring solutions but with an underlying reliance on non-recurring savings.	Recommendation An effective long term financial sustainability plan needs to be introduced, and decisions about the way services are delivered in the short, medium and longer-term based on information about the cost and impact of all available options. Detailed scenario planning should also be undertaken to support the Board in the evaluation of the various reform options.	Management Response Partially Accepted A further review of scenario planning will be undertaken during 2025-26. Responsible Officer: Chief Executive and Director of Finance Agreed date: 31 March 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Application of IFRS 16 to Service Concession Arrangements IFRS 16 requires the Board to remeasure the lease liability when a change in indices causes a change in future lease payments and that change has taken effect. NHS Lanarkshire did not recognise the full extent of the liabilities for each PFI arrangement upon transition and during 2023/24. NHS Lanarkshire also incorrectly processed an in-year movement for the PFI arrangements under the previous accounting standard. Risk – The liability for service concession arrangements within the Statement of Financial Position is misstated.	Recommendation NHSL should ensure that PFI liabilities are recognised in line with the requirements of IFRS 16 under the FReM. Agreed action The final position disclosed in the 2023-24 Annual Report and Accounts fully meets this requirement. Responsible officer Deputy Director of Finance - Corporate Agreed date Complete	Implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Reconciliation of SFR 30 payables We identified a £2.9 million over-accrual in the NHS Lanarkshire ledger balance for payables to other NHS Scotland bodies when compared to the SFR 30 returns received. Risk – There is a risk that the amounts owed/owing to other NHS bodies in not accurately disclosed within the financial statements. In addition, there is a risk that NHSL is not complying with the relevant guidance within the accounts manual.	Recommendation The total accrued value should be included in the NHS payables line, as this reflects the nature of the accruals. NHSL should comply with the SFR 30 process as required by the manual, including agreeing balances with other NHS Scotland bodies, and reporting any unresolved variances above the threshold prior to the annual deadline. Agreed action Agreed. For 2024-25 the correct classification category will be used. As part of the External Audit plan for 2024-25 a specific task and timescale will be incorporated to reflect the requirement to engage with other NHS Board (noting the possibility of non-agreement of balances) Responsible officer Deputy Director of Finance - Corporate Agreed date March 2025	Management Response Partial Acceptance. NHSL have continued to comply with the SFR30 process as required by the manual in 2025-26. However, there can be instances where there is disagreement on the value and the matter has yet to be resolved by 31 March of the financial year being reported. The Board take a prudent approach to such discrepancies and apply estimates for the actual anticipated charge to correctly reflect this against costs. Every effort will continue to be made to attempt to address discrepancies as early as possible by year end. Responsible Officer: Deputy Director of finance – Corporate Agreed date: Ongoing

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. Key sources of judgement and estimation uncertainty Significant judgements and sources of estimation uncertainty are disclosed at Note 1.30 to the financial statements. This disclosure is not fully compliant with IAS 1 in that it does not clearly explain the areas of estimation and their potential impact from any changes over the next twelve months. Risk – the disclosure is not in line with IAS 1.	Recommendation Management should review the current disclosure against the requirements outlined. Agreed action The Accounting Policy Note 30 will be updated for 2024-25 to reflect the issue raised. Responsible officer Deputy Director of Finance - Corporate Agreed date March 2025	Management Response Not implemented during 2024-25. The Accounting Policy Note 30 will be updated for 2025-26 to reflect the issue raised. A revised Note 30 will be included within the overall Accounting Policies which will be presented for approval to the Audit and Risk Committee for the preparation of the 2025-26 Annual Report and Accounts. Responsible Officer: Deputy Director of finance – Corporate Agreed date: 31st March 2026
4. Remuneration and staff report Our review of the remuneration and staff report highlighted a number of errors and disclosure omissions. Risk – there is a risk that the remuneration and staff report do not comply with the FReM.	Recommendation Management should ensure disclosures in the Remuneration and Staff Report meet the requirements per the Financial Reporting Manual (FreM). Agreed action The final position disclosed in the 2023-24 Annual Report and Accounts fully meets this requirement. Responsible officer Deputy Director of Finance - Corporate Agreed date Complete	Implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
5. Submission of unaudited annual report and accounts The unaudited annual report and accounts were not received in line with the agreed audit timetable. Risk – there is a risk that the statutory deadline for sign off of the annual report and accounts is not met.	Recommendation NHS Lanarkshire should review the timetable for the accounts production to ensure that the unaudited annual report and accounts and a full working paper package are provided for audit in line with the agreed deadlines set out in our Annual Audit Plan. Agreed action Agreement on this audit point. The Annual Report and Accounts were completely rewritten for 2024-25 and this work and creation of a new template will allow an earlier submission to External Audit for 2024-25 As part of the External Audit plan for 2024-25 a specific task and timescale will be incorporated to reflect the requirement. Responsible officer Director of Finance Agreed date March 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
6. Business continuity and disaster recovery An NIS audit highlighted significant areas for improvement in NHSL's business continuity and disaster recovery testing; noting their testing lacked a structured approach and did not clearly test the whole plan nor its actual effectiveness. Risk – there is a risk that any weaknesses which exist in the plan's design are not identified until an event occurs.	Recommendation NHS Lanarkshire should address the findings highlighted in the NIS audit to improve the Board's business continuity and disaster recovery controls. Agreed action Business Continuity and disaster recovery improvement is part of our Cyber Workplan. Key progress will be achieved in line with the workplan and assessed in October 2024 as part of our NIS Follow-Up Audit. Responsible officer Director of Digital Services Agreed date 31 December 2024	Management Response Not implemented during 2024-25. Key progress has been made in strengthening business continuity and disaster recovery (BC/DR) controls through the Cyber Workplan. A cyber simulation exercise—based on the national Core2Cloud Crisis Simulation—has been successfully completed, enhancing incident preparedness and response capabilities. In addition, funding has been secured to appoint an IT Service Continuity Manager who will lead the delivery of remaining and future elements of the BC/DR programme. These actions demonstrate clear commitment to addressing the original audit findings and embedding sustainable resilience measures across the organisation. Responsible officer Director of Digital Services Agreed date Ongoing

7. The medium-term financial forecast identifies a funding gap before savings of £54.589 million for 2024/25, increasing to £70.299 million by 2026/27

The Board has already identified many of the areas most in need of improvement. A detailed programme of improvement is being taken forward through Operation Flow.

The latest report considered by the Board in May 2024 highlighted that performance against the key metrics for the programme remain below target.

Risk: - there is a risk that futures delivery plans are not achieved.

Recommendation

The Chief Executive, Director of Finance and Board members need to ensure future delivery plans demonstrate how services will change and efficiencies will be realised to meet the growing needs of patients within the financial constraints it faces. Effective leadership is required to drive the changes needed and progress should be challenged by the Board.

Agreed action

Considerable work (including financial investment) has been completed during 2023-24 on providing effective governance and assurance structures and systems to drive forward KPI improvements e.g. occupancy reductions and unscheduled care performance.

Building on this work during 2024-25 the Executive Team is focused on delivering new models of care with patients at the centre. A 2024-25 Transformation fund has been included in the budget for this year which will be used to fully establish new service models including FNC+, E-Triage and Virtual wards.

Strong financial, budget monitoring and reporting systems will underpin this work to align financials to performance.

The Board has agreed a new committee structure (reporting to PPRC) which will allow enhanced focus on

Management Response

Work in progress

Additional interventions and investment in services have been made during 2024-25. For example, the Interface Division was created which has established new models of service to support performance improvements including FNC+, E-Triage and Virtual Wards. However, performance particularly around unscheduled care remained a challenge throughout 2024-25. A key objective for 2025-26 will be to revise improvement plans which will focus on sustainable whole system improvement.

Responsible Officer:

Chief Executive and Director of Finance

Agreed date:

Ongoing

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	key strategic objectives across NHS Lanarkshire e.g. a new Finance and Resource committee. Responsible officer(s) Executive Management Team Agreed date By March 2025 (On-Going)	
Reliance on agency staff NHS Lanarkshire has experienced challenges in recruitment throughout 2022/23 and continues to be reliant on agency and locum staff. These increased costs are impacting on NHS Lanarkshire's ability to achieve their medium to long term plans.	Recommendation NHS Lanarkshire should continue to look to increase substantive staff recruitment to agreed staffing models to ensure it reduces its reliance on agency staff. Agreed action NHSL is actively reviewing opportunities to increase substantive staffing in areas where shortfalls are leading to agency use and will review success mid-year. Directory of Nursing and Midwifery Ongoing	Management Response Accepted NHS Lanarkshire continues to review opportunities to increase substantive staffing in areas where shortfalls are leading to agency use. During 2024-25 NHS Lanarkshire approved a new funded bed model linked to a revised nursing blueprint and in addition a further area approved was a revised substantive nursing structure for each of the emergency departments within our acute sites. Both initiatives have increased substantive whole-time equivalents numbers. Responsible Officer: Director of Nursing and Midwifery Agreed date: Ongoing

Appendix 2

Summary of uncorrected misstatements (to be updated)

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Uncorrected misstatements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
NHSL have recognised a VAT receivable in year, although receipt was uncertain.					
	Deferred income			8,100	
	VAT receivable				8,100
Incorrect calculation of discount applied to capital PFI payment, resulting in overstatement of liability.					
	Current trade and other payables			1,441	
	Other healthcare expenditure		1,441		
Capitalised addition to PFI liability cannot be verified to supporting documentation. Unclear NHSL have a current obligation to pay this amount.					
	Current trade and other payables			1,500	
	Other healthcare expenditure		1,500		
Uncorrected misstatements in disclosures					
Incorrect recognition of £3.15 million: Within note 12, amount should have been included within NHS accruals not general accruals. No impact on Statement of Financial Position as both amounts included within total payables due within 1 year.					

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025

NHS Lanarkshire

2024/25 Annual Audit Report



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