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29 July 2005

Ladies and Gentlemen

Annual Report to Board Members 2004/05

We have completed our audit of National Waiting Times Centre (NWTC) and its financial statements for the year ended 31 March 2005.

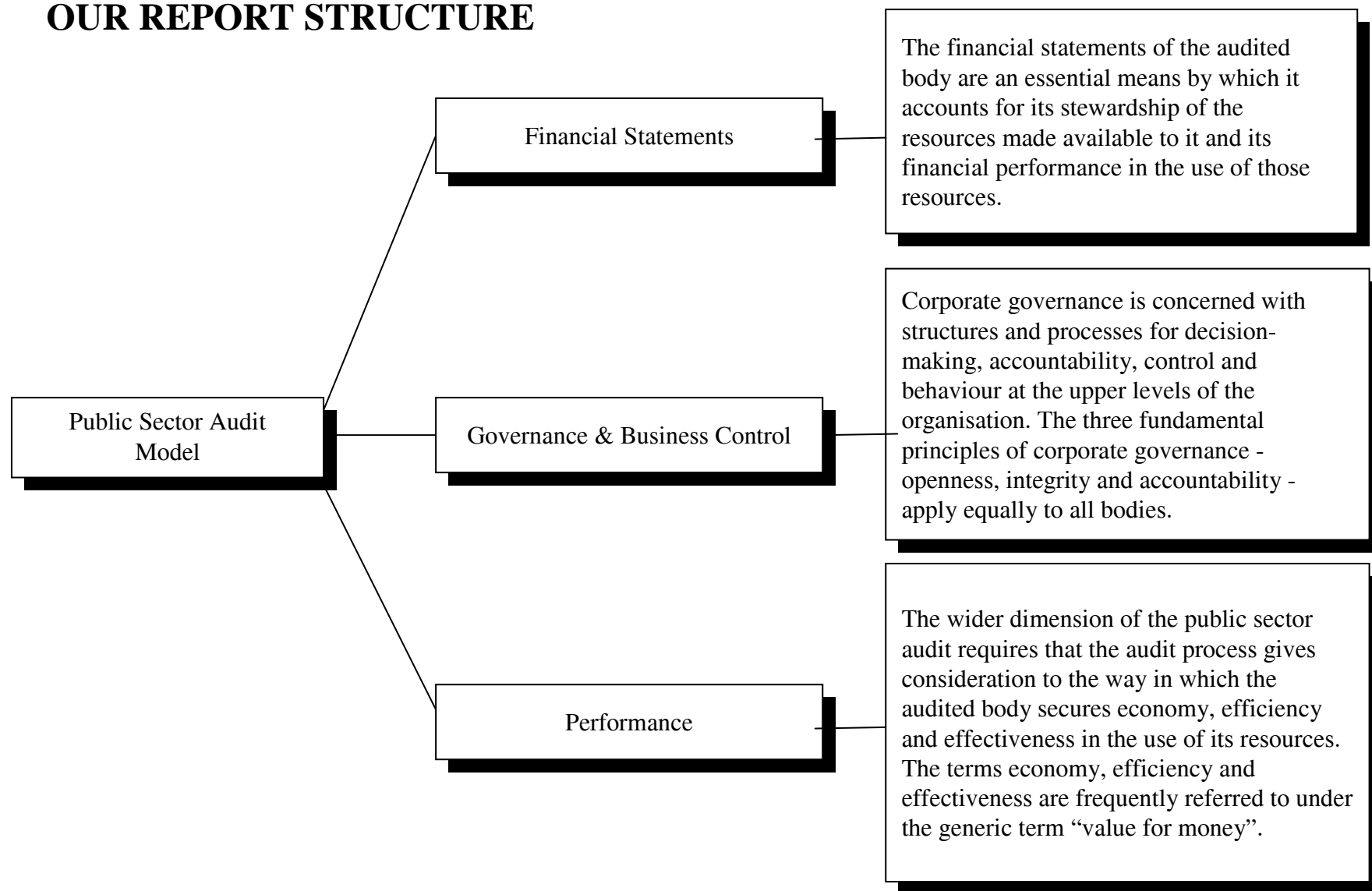
The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2004/05 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

We would like to take this opportunity to offer our thanks to those members of management and staff who have assisted us during the course of the audit.

Yours faithfully

PricewaterhouseCoopers LLP

OUR REPORT STRUCTURE



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1. Audit Opinion and Financial Targets

Audit Opinion

Our true and fair opinion on the financial statements is unqualified.

Our regularity opinion on income and expenditure is unqualified.

Our opinion is outlined in full in **Appendix 3**.

Financial Targets

The Board achieved its three financial targets :

- The net resource outturn did not exceed the Revenue Resource Limit (RRL) – the Board recorded a £1.601 million saving on it's RRL of £33.3 million.
- Staying within its Capital Resource Limit (CRL) – the Board spent £3.806 million against its CRL of £3.870 million.
- Cash Requirement – the cash drawn down by the Board was £28.296 million compared to a limit of £31.211 million

2. Financial and Patient Throughput Performance

Financial Performance in the Year

£000

Hospital and Community Healthcare Costs	40,183
Less: Hospital and Community Healthcare Income	<u>(9,622)</u>
Net Clinical Services Cost	30,561
Administration Costs	5,366
Other Non-Clinical Services Costs	76
Less: Other Operating Income	<u>(4,263)</u>
Net Resource Outturn	31,740
Revenue Resource Limit	<u>33,341</u>
Saving on Revenue Resource Limit	<u>1,601</u>

Financial Performance in the Year

The budget for 2004/05 was set based on a break-even position being achieved. However, the actual out-turn for the year was a surplus of £1.601 million.

It has been difficult from our review of finance papers submitted to the Board and from discussions with management to ascertain (in a reliable manner) the principal reasons for the surplus. Nevertheless it does appear to have arisen from:

- The Board undertaking fewer and less complex patient treatments than budgeted (this has the effect of reduced staffing and supplies costs being incurred)
- Savings from improved procurement arrangements being delivered above the expected level
- the cost impact of Agenda for Change being less than budgeted

Whilst £1.5 million of the 2003/04 surplus of £1.985 million was carried forward to 2004/05, this was not a contributory factor to the surplus as it was already committed within spending plans.

Additionally our review of certain finance papers to the Board highlighted that the papers require to be more detailed and precise. By way of example, in future the Board needs to be given the opportunity to understand better the relationship between its activity movements and its cost/ income variances (e.g. what cost savings accrue when the Board undertakes 20.6% less than budgeted cardiac surgery procedures – see page 6). We understand and commend the fact that the Chief Executive has approved a revised format for the finance papers to be presented to the Board as of July 2005.

Action Point 1

2. Financial and Patient Throughput Performance

Patient Numbers and Mix

The breakdown of the actual procedures performed against targets agreed with the National Waiting Times Unit is provided below:

	Actual	Planned	Variance	%	
Cardiac Surgery	397	500	(103)	(20.6%)	} Shortfall on certain planned major procedures.
Cardiology - Diagnostic	788	800	(12)	(1.5%)	
Cardiology – Interventional	336	400	(64)	(16%)	
Ortho – Joints	1,037	1,200	(163)	(13.6%)	
Ortho – Other	463	461	2	0.4%	
General Surgery	1,526	1,580	(54)	(3.4%)	} Overprovision of certain less major procedures make up overall shortfall in planned procedures.
ENT	722	768	(46)	(6%)	
Plastics	615	664	(49)	(7.4%)	
Scopes	1,486	1,656	(170)	(10.3%)	
Ophthalmology	1,386	1,152	234	20.3%	
Minor Procedures	682	-	682	-	
Total Procedures	9,438	9,181	257	2.8%	
Total Imaging	8,054	9,181	(1,127)	(12.3%)	

In 2004/05, NWTC exceeded the set target for number of procedures by 2.8%. However, as has been the situation in previous years, the Board was below planned levels for the number of major procedures that were available in a modern hospital with facilities geared towards cardiac and orthopaedic services. The Board has taken steps throughout the year to increase patient numbers and it is acknowledged that this situation is to a large extent outwith the Board's direct control. Local Health Boards need to send patients to NWTC and utilise the service. The Board, in agreement with the Scottish Executive, should continue to take action to improve the utilisation of the hospital, demonstrating that NWTC provides a value for money service.

Action Point 2

2005/06 Financial Projection

SEHD has given the Board permission to carry forward the 2004/05 surplus of £1.6 million into 2005/06 to fund future developments. In particular, the funding will be used to meet the funding requirement for the cardiothoracic business case which is currently ongoing.

Savings generated within procurement in 2004/05 are likely to continue at a local level into 2005/06. Additional savings through the National Procurement initiatives and local West of Scotland groups are also planned.

The key risk areas in terms of the 2005/06 financial position continue to be the need to achieve planned patient number and mix of procedure targets and link this to income and cost impacts. This will become a key area of business risk as the organisation continues to expand. Growth in patient numbers is expected to continue in 2005/06 at a rate of 40% although we understand that the majority of this is likely to be in less complex procedures.

Action Point 3

3. The Annual Accounts Audit Process and Accounting Matters

Audit Process

The overall quality of the template accounts and working papers were of a high standard. This was against a backdrop of significant changes to the format of the accounts. We found our previous relationships and knowledge were invaluable.

Preparation of Financial Statements

The Accounts were prepared in accordance with the accounting requirements contained in the NHS Unified Board Accounts Manual & supplementary guidance, as issued by the Scottish Executive Health Department (SEHD) and approved by the Scottish Ministers.

Accounts Approval

The Annual Accounts will be approved by the full Board at its meeting on 28 July 2005.

Audit Adjustments

Adjustments were identified in relation to the format and figures within the financial statements presented to us for audit. All adjustments were agreed and amended by the Board.

Fixed Asset Register

Our audit of Fixed Assets and checking by management identified balances that have been included within the fixed asset opening values for IT equipment and Plant and Machinery which do not appear in the Fixed Asset Register. This means that the Fixed Asset Register does not agree to the cost figures contained in the financial statements (although the net book values in all categories are unaffected). An exercise was undertaken by finance staff during 2004/05 to agree that all assets listed on the Fixed Asset Register were still being utilised within NWTC. However, the exercise has not yet been performed in the opposite direction to enable additional assets which are being utilised within NWTC to be included on the Fixed Asset Register.

As the complete position in terms of assets owned by NWTC is not known with full accuracy, no adjustment has been proposed in the 2004/05 accounts. A more comprehensive (two-way) review of the fixed asset register to/from physical assets during 2005/06 is recommended and we understand that the appointment of a Capital Officer has been approved to undertake this and related capital asset tasks.

Action Point 4

Asset Revaluation Process

Qualified valuer valuations of capital work in progress at the balance sheet date were not available due to the District Valuer completing the valuation at a date later than requested by NWTC. We acknowledge that the Board requested the valuation at the balance sheet date and was not responsible for the delay. Consequently, additional supporting documentation such as completion certificates were used to substantiate the categorisation of balances within completed assets and work in progress. We recommend that in future independent valuations should be obtained at the balance sheet date.

Action Point 5

4. Prevention and Detection of Fraud and Irregularities

Fraud and Corruption Reviews

As part of our rotational plan to review the key systems and methods for the prevention and detection of fraud and corruption we have conducted a review of certain of the Board's arrangements. Two issues relating to payroll and expenses controls were identified in addition to a lack of segregation of duties within the Finance Department. These matters have been reported in our Internal Control Report.

Action Point 6

Fraud Guidance

We have reviewed the fraud and irregularities guidance issued by Audit Scotland during 2004/05 and undertaken work accordingly. There are no specific matters to report to the Board from this work.

Fraud Submission

A return has been made to Audit Scotland of the reported frauds that have occurred within the Board during the year. In total two frauds were reported by the Board. None were of a significant or material level. We noted that actions have been taken by the Board to minimise the risk of further similar frauds occurring in the future and that this process was overseen by the Audit Committee.

5. Systems of Governance and Internal Control

Statement of Internal Control

We do not disagree with the Board's disclosures contained in the Statement of Internal Control. The Board has used the format prescribed by the Health Manual and has outlined the processes designed to identify and evaluate its principal risks. Key processes in place during the year include – internal audit, reports from management, regular Board and Management meetings, governance committees and an organisational wide risk register. Key developments in year included facilitated risk workshops and risk awareness training.

Follow Up Report on previous control matters

As part of our 2004/05 audit, we undertook a follow up review to report on the implementation of the agreed actions arising from our 2003/04 audit recommendations. This work was undertaken and reported in January 2005. At January 2005, 27 of the original 41 recommendations were still outstanding. As a result, at the time of our review we were disappointed to note that only 34% of the recommendations had been fully implemented. We appreciate that since then there has been a commitment from management to progress the outstanding recommendations. The current position (not yet audited) based on the latest report by management shows that 56% of the recommendations have now been fully implemented with 18 recommendations still outstanding.

Action Point 7

Financial Systems and our 2004/05 Internal Controls Report

An Internal Controls Report was issued to the Board in March 2005. The Board has completed an action plan detailing the individuals responsible for implementing our recommendations and the timetable for completion. The most significant points noted in our report related to the differences noted between the fixed asset register and the asset figures per the financial statements and the segregation of duties within the finance function. We will issue a report on the progress made as part of our 2005/06 audit.

Action Point 8

Internal Audit's Report on the Board's Internal Controls

The extract of the Internal Auditor's opinion for 2004/05 is reproduced below:

"During the year our work highlighted a number of PRIORITY ONE control weaknesses and opportunities for improvement in a number of areas, particularly in relation to cash takings and certain aspects of financial management reporting and review. On the basis of work undertaken in the year ended 31 March 2005 we consider that the National Waiting Times Centre Board generally has an adequate framework of control over the systems we examined ... (subject to implementation of the recommendations). In providing such an assessment we would draw to your attention our summary findings as presented in our individual reports issued throughout the year and to all of the PRIORITY ONE recommendations."

Pay Issues

The Board has had to address the following pay issues over the past year:

- Consultants Contracts
- Agenda for Change
- Hotel Staff Pay
- Executive Management Contracts

Progress in relation to each of the above is outlined in the following sections.

Consultants Contracts

The consultants contracts, introduced from April 2004, requires the Board to recognise and pay for hours and activities above core sessions, rendering the intensity and frequency of on call activity of greater significance.

In 2003/04 the Board had only one in-house consultant who agreed to move onto the new contract. During 2004/05 a further six consultant anaesthetists were recruited. They all joined the organisation on the new contract and the Board is therefore not liable for any back dated pay costs. Two orthopaedic consultants were also recruited during 2004/05; as they were recruited from outwith the UK there is no liability to the Board for back dated pay.

The Medical Director also moved onto the new contract and his backdated pay is being met by the Board, with his previous employer also liable for a proportion.

Agenda for Change

Agenda for Change is a major change programme in the NHS, designed to modernise pay structures, assist service delivery of patient care, aid recruitment and retention and allow for the personal development of staff. The new pay structure will consist of nine pay bands and several pay points within each pay band. Individual posts will be placed in the correct pay band by either matching the job to the national profile or a local job evaluation. NWTC was one of the four Scottish preparatory project sites identified to test the new grade and pay system. A project board was established in 2003 with management representatives, staff representatives, a Scottish Executive representative and a trade union official.

Staff are kept informed about the Agenda for Change project through the following measures:

- Regular staff bulletins;
- An Agenda for Change noticeboard;
- An electronic noticeboard on the NWTC intranet;
- An Agenda for Change stand in the staff canteen;
- Regular updates to department managers and the Partnership forum;
- One hour job briefings for all staff; and
- The operation of an Agenda for Change email account for all staff comments/questions.

NWTC has progressed well with the job matching process and is currently carrying out an internal consistency check prior to an external consistency check being carried out. Assimilation (matching the job descriptions to the National Priorities and onto the pay-bands) is due to begin in August 2005.

In 2004/05, the estimated cost of back dated pay due to the implementation of Agenda for Change was £216,000.

6. Business Pressures and Issues

Hotel Staff Pay

This relates to an ongoing claim by the hotel staff that they should be paid in line with minimum NHS wage levels. Currently the hotel staff are being paid in line with standard industry rates, increasing to the minimum NHS wage would raise costs by an average of 20%. As this wage rise would significantly increase the costs of hotel staff above the average in the hotel sector, the Board applied for and were awarded a variation order from the Scottish Executive which temporarily allowed it to not implement the award. The variation order was only valid for up to the earlier of the 30 September 2004 or until modernised pay arrangements under Agenda for Change were implemented within NWTC. As Agenda for Change has yet to be fully implemented within NWTC the variation order is still in place.

As there is still a possibility that the Board will require to meet these costs it has provided for the estimated cost of £356,000 which covers the period since December 2002. The amount includes consideration for all staff that are working at the hotel as well as all previous hotel staff that have since left the organisation.

Action Point 9

Executive Management

The transfer of executive management contracts to NHS terms and conditions was completed during 2004/05. The Remuneration Committee met in September 2004 to discuss and agreed the assimilation of terms for executive management. The NHS contracts were backdated to July 2003 and payments for the backdated pay were made to the executive management in December 2004.

6. Business Pressures and Issues

Beardmore Hotel

In 2004/05 the hotel made a profit of £259,000 compared to a profit of £44,000 in the prior year. This represents a significant improvement in the financial performance of the hotel and is against a budgeted profit of £45,000, principally as a result of higher than anticipated occupancy rates.

Although the performance of the hotel has improved in relation to prior years, the Board is still actively considering the future role of the hotel. This matter has been reported by us previously and has also been highlighted in the Scottish Executive's latest Accountability Review of NWTC. We recommend that the future strategy for the hotel be finalised at the soonest opportunity.

Action Point 10

Cardiothoracic Business Case

The main clinical business development within the Board at present is the Phase II Business case which now focuses solely on the Cardiothoracic programme transfer. The business case is based on a proposal to create a West of Scotland Regional centre for adult cardiothoracic surgery within the NWTC, taking in the services currently provided by NHS Greater Glasgow and NHS Lanarkshire. Consultation events were held over the period from February to May 2005 and an outline business case was approved by the SEHD's Capital Investment Group in April 2005. A full business case is now being prepared by the Board. This is a key business opportunity and risk for the Board and progress in relation to the business case should continue to be monitored by the Board on a regular basis.

Action Point 11

Termination Packages

The Board had no reported settlements for senior officers during the year.

Procurement and Recruitment

We have undertaken a review which considered how NWTC ensures its processes for procurement of goods and services, and for recruiting staff, provide value for money. A number of good practice points were identified in both procurement and recruitment as well as some areas for improvement. For example:

Procurement

- Comprehensive procedural guidance is available to the procurement team and other staff
- NWTC is involved in national and regional procurement groups, which involves sharing best practice and working together to obtain favourable terms from suppliers.
- The procurement team monitors the savings obtained from using contracted suppliers.
- In future all staff need to involve the procurement department prior to contracting with sales representatives or other parties
- Detailed guidance should be provided to the procurement team to assist with supplier selections
- Visiting medical consultants do not always, but in future need to comply with NWTC's normal procurement procedures in terms of suppliers and timelines. This point could be linked to the wider Clinical Governance initiative NWTC is taking in relation to visiting consultants.

Recruitment

- Comprehensive policies and procedural guidance is in place with regard to recruitment, selection and retention of staff.
- NWTC has created a Workforce Planning and Development Group, and is a member of the West of Scotland Regional Workforce Planning Group
- A detailed induction process is in place for all new employees.
- There is a need to ensure all required documentation in relation to the recruitment process is obtained and appropriately authorised
- Increased communication is recommended of the objectives and outcome of the Workforce Planning and Development group to staff and in a more effective manner.

Action Point 12

Staff Governance

National Waiting Times Centre

The Self Assessment Staff Governance process was led by the Director of Human Resources with assistance from the Human Resources Department.

The majority of last years action plan is being delivered. 30 actions were agreed of which 22 were fully implemented, 6 were partly implemented and 2 were not implemented. The main actions in the updated action plan requiring to be implemented in 2005/06 are:

- Staff to be kept up-to-date of any developments regarding the potential cardiothoracic move;
- Staff Governance leaflet to be sent to all staff to raise the profile of the standard;
- Continuation of Staff Governance Audits by HR Assistant;
- Training around developing job outlines, awareness raising and supporting the KSF process;
- All staff having a Personal Work Plan in place in order to work towards their KSF outline;
- Produce robust consultation mechanisms for particular projects e.g. Cardiothoracic move, No Smoking Policy, Level 5 plans;
- Review of HR policies and PIN Guidelines to ensure consistency in line with agreed timetable; and
- To apply Agenda for Change assimilation terms & conditions to all staff by the end of 2005.

Beardmore Hotel

Separate action plans were developed for the Hotel and it was found that the majority of the plan was being delivered – 19 actions were fully implemented, 2 were partly implemented and 1 was not implemented. The main actions in the updated action plan requiring to be implemented in 2005/06 are:

- Updates to staff on actions/ outcomes of Staff Governance and Staff to be involved in the continuous improvement of the communication process;
- Training on appraisal skills for all staff;
- Partnership awareness raising for all staff;
- Training and awareness sessions of Dignity at Work policy to be arranged for managers and staff;
- Stress presentation to be available to all staff.;
- Security procedures to be included in induction; and
- Review implementation of the Working Time Directive.

Action Point 13

Appendix 1 – Action Plan

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
1	Page 5	Finance papers currently presented to the Board are not of sufficient detail to allow the relationship between activity and cost/income variances to be clearly understood.	The impact of activity variances on the finances of the Board may not be understood.	The format of the finance papers presented to the Board should be revised, as is currently planned, to enable the relationship between activity and cost/income variances to be clearly understood.	Acting Director of Finance	Initially 31 July 2005 Further development over the course of the year.
2	Page 6	While the Board met its overall procedures target, there was a significant shortfall on completion of more complex cases eg cardiac surgery.	The Hospital capacity and consultant's skills are not used as effectively as possible.	The Board and Scottish Executive should continue to identify methods of improving the utilisation, facilities and skill base at the Hospital.	Chief Executive	Ongoing
3	Page 7	The key risk areas in terms of the 2005/06 financial position continue to be the need to achieve planned patient number and mix of procedure targets and link this to income and cost impacts	The impact of not achieving patient number and procedure mix targets may not be understood.	Systems should be put in place to enable more robust monitoring of the income and cost impacts of not achieving patient number and procedure targets.	Chief Executive/Acting Director of Finance	31 March 2006

Appendix 1 – Action Plan (Continued)

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
4	Page 9	The opening balances for IT Equipment and Plant & Machinery do not reconcile to the Fixed Asset Register due to unidentifiable balances.	The financial statement opening balances may be overstated and assets utilised by the Board may not be recorded in the Fixed Asset Register.	A two-way review of the fixed asset register should be carried out in 2005/06 to accurately confirm the assets owned by the Board.	Acting Director of Finance	31 March 2006
5	Page 10	Asset valuations were not received from the District Valuer at the balance sheet date which meant alternative supporting documentation had to be relied on for audit purposes.	Assets may be incorrectly categorised between work in progress and completed assets at the balance sheet date.	In future, independent valuations should be obtained at the balance sheet date.	Assistant Director of Finance	By 31 March 2006

**National Waiting Times Centre
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Appendix 1 – Action Plan (Continued)

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
6	Page 11	Management has agreed an action plan in response to our Internal Controls Report issued in March 2005.	Elements of the Board's control framework could be improved.	Progress against the recommendations contained within the Internal Controls Report should be reported periodically to the Audit Committee.	Acting Director of Finance	As per action plan in Internal Control Report. Paper to go to each audit committee with status of outstanding recommendations.
7	Page 12	Of the 41 agreed recommendations made in our 2003/04 follow up report, 14 had been fully implemented, 20 partially implemented, 1 ongoing, 2 implementation dates not yet reached and 4 not implemented.	Elements of the Board's control framework could be improved.	Management should ensure that any remaining recommendations are implemented where appropriate. Progress should be reported periodically to the Audit Committee.	Acting Director of Finance	As above – see 6.

Appendix 1 – Action Plan (Continued)

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
8	Page 13	Management has agreed an action plan in response to our Internal Controls Report issued in March 2005.	Elements of the Board's control framework could be improved.	Progress against the recommendations contained within the Internal Controls Report should be reported periodically to the Audit Committee.	Acting Director of Finance	As above – see 6.
9	Page 16	The Board has still not come to a resolution regarding meeting the low pay agenda for hotel staff.	This could have a significant adverse effect on the ability of the hotel to break-even.	The low pay issue should be resolved to allow the hotel to plan for the future.	Director of HR	During 2005/06
10	Page 17	The future role of the Hotel is still under consideration by the Board.	The Hotel may not be utilised in the most beneficial manner.	The Board should ensure that it finalises its strategy for the Hotel at the soonest opportunity.	Chief Executive	December 2005

Appendix 1 – Action Plan (Continued)

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
11	Page 17	The ongoing cardiothoracic business case represents a significant clinical and business issue for the Board at present.	This could impact on the hospital utilisation significantly in the future and represents a key opportunity and risk to the Board.	The Board should continue to monitor progress in relation to the cardiothoracic business case on a regular basis.	Chief Executive	Ongoing. Board updated at each Board meeting.
12	Page 18	An action plan for the Procurement and Recruitment VFM report has previously been agreed. The NWTC management team should ensure delivery of the Action Plan.	Agreed actions to improve Procurement and Recruitment may not be implemented.	The Action Plan should be implemented in accordance with the agreed timescales. Progress against the agreed actions should be reported to and monitored by the Audit Committee.	Head of Procurement Director of HR	As per separate action plan.

Appendix 1 – Action Plan (Continued)

No.	Report Ref	Issue	Risk	Recommendation	Responsible for Implementation	Due Date
13	Page 19	<p>An action plan for Staff Governance has been agreed with management in connection with this Report.</p> <p>The NWTC management team should ensure the delivery of the Staff Governance Action Plan.</p>	Agreed actions to improve Staff Governance may not be implemented.	<p>The Action Plan should be implemented in accordance with the agreed timescales.</p> <p>The Director of Human Resources should provide the Audit Committee with an update at an appropriate future point and the Committee should ensure appropriate progress is being made.</p>	Director of HR/ Employee Director	As per separate action plan.

Appendix 2 – Responsibilities of External Audit and the Board and its Management

The matters dealt with in this report came to our notice during the conduct of our normal audit procedures which we carried out in accordance with the framework and principles contained within the Audit Scotland's Code of Audit Practice.

As a result, we may not have identified all the issues and matters that may exist. It is the responsibility of the Board and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. To discharge our audit responsibility we evaluate significant financial systems and associated internal controls and where appropriate, report to management any weaknesses identified. In practice, we do not examine every financial activity and accounting procedure and we cannot substitute for management's responsibility to maintain adequate systems of internal control.

This report is intended to assist the Board regarding its arrangements to implement appropriate controls surrounding the production of certain management information and processing systems. The report does not purport to provide information or advice to any person not associated with the Board and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to the Board or any other party.

The prime responsibility for the prevention and detection of fraud and irregularities rests with the Board. It also has a duty to take reasonable steps to limit the opportunity for corrupt practices. As part of our approach we consider these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity has occurred and remained undetected.

It is the responsibility of the Board and its officers to prepare the Accounts in compliance with statutory and other relevant requirements. We are responsible for providing an opinion on the Accounts.

Appendix 2 –Responsibilities of External Audit and the Board and its Management (Continued)

It is the responsibility of the Board to put in place proper arrangements to ensure the proper conduct of its financial affairs, and to monitor their adequacy and effectiveness in practice. We have a responsibility to review and, where appropriate, report on the financial aspects of the audited body's corporate governance arrangements, as they relate to:

- The legality of transactions that might have significant financial consequences;
- The financial standing of the audited body;
- Systems of internal financial control; and
- Standards of financial conduct, and the prevention and detection of fraud and corruption.

It is the responsibility of the Board to put in place proper arrangements to manage its performance, to secure economy, efficiency and effectiveness in its use of resources. We have a responsibility to review and, where appropriate, report on the arrangements that the Board has put in place to secure economy, efficiency and effectiveness in its use of resources.

We also have a responsibility to undertake reviews arising from national studies commissioned by Audit Scotland where these have been designated as mandatory studies.

For more details on any of the issues raised in this document reference should be made to those detailed reports issued by us to the Board during the year and as listed at **Appendix 4**.

Appendix 3 – Audit Opinion

Independent Auditors' report to the members of National Waiting Times Centre Board, the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements which comprise the Operating Cost Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and notes set out on pages 11 to 38 under the National Health Service (Scotland) Act 1978. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 15 to 20.

This report is made solely to the parties to whom it is addressed, and not to individual members, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Board Members, Accountable Officer and Auditors

As described on pages 6 and 7 the Board and the Accountable Officer of the National Waiting Times Centre Board are responsible for the preparation of the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income. The Board and Accountable Officer are also responsible for the preparation of the Directors' report. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

Appendix 3 – Audit Opinion

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder and whether, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the National Waiting Times Centre Board has not kept proper accounting records, or if we have not received all the information and explanations we required for our audit.

We also review whether the statement on page 8 complies with the guidance issued by the Scottish Executive Health Department titled, “Corporate governance: Statement on Internal Control”. We report if, in our opinion, the statement does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the National Waiting Times Centre Board’s corporate governance procedures or its risk and control procedures.

Additionally, we read the Directors’ report published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of The National Waiting Times Centre and the Accountable Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the National Waiting Times Centre’s circumstances, consistently applied and adequately disclosed.

Appendix 3 – Audit Opinion

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of The National Waiting Times Centre and the Accountable Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the National Waiting Times Centre Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view of the state of affairs of the Board as at 31 March 2005 and of its net operating cost, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder.
- in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

PricewaterhouseCoopers LLP
Glasgow
29 July 2005

Appendix 4 - Other formal reports submitted during the 2004/05 audit process (in addition to this Annual Report)

		Financial Statements	Governance & Business Control	Performance
• Audit Service Plan	November 2004	✓	✓	✓
• Follow up report on 2003/04 Recommendations	January 2005	✓	✓	✓
• Internal Controls Report	March 2005	✓	✓	-
• Staff Governance	March 2005	-	✓	✓
• Local VFM – Procurement and Recruitment	June 2005	-	-	✓