

## NHS Education for Scotland

### Our Final Report to the Audit Committee on the 2012 Audit

Dear Sirs

We have pleasure in setting out in this document our report to the audit committee of NHS Education for Scotland (NES) for the year ended 31 March 2012 for discussion at the meeting scheduled for 14 June 2012. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2012.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

A handwritten signature in black ink, appearing to read 'D. J. G. G.', is positioned above the title of the signatory.

Senior Statutory Auditor

# Contents

Executive summary	1
Financial statements and corporate governance	8
1. Significant audit risks	8
2. Liaison with internal audit	14
3. Our observations on your financial statements	15
4. Our observations on the 'front half' of your annual report	18
Best value, use of resources and performance	22
5. Financial performance and outlook	22
6. Other issues	25
7. Best value toolkit	29
8. National performance reports	30
9. Risk management and internal control systems	31
10. National fraud initiative (NFI)	35
Other	36
11. Independence	36
12. Responsibility statement	37
Appendices	38
1 - Audit adjustments	38
2 - Representation letter	39
3 – Additional resources available to you	43

# Executive summary

Status	Description	Detail
<b>Completion of the audit</b>		
<b>Our audit is largely complete</b>	<p>The status of the audit is as expected at this stage of the timetable agreed in our audit plan</p> <p>The following are the remaining areas we are required to complete to finalise the audit:</p> <ul style="list-style-type: none"> <li>• Our review of events since 31 March 2012; and</li> <li>• Receipt of signed management representation letter.</li> </ul>	N/A
<b>Overall view</b>		
<b>Anticipated unmodified audit opinion</b>	<p>On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.</p> <p>The matters that we have taken into account in forming our overall view are described in the following sections.</p>	N/A

# Executive summary (continued)

Status	Description	Detail
--------	-------------	--------

Significant audit risks		Status	Detail
<p><b>We are satisfied with the treatment adopted for key audit risk areas</b></p>	<p>We discuss within <b>Section 1</b> the results of our work in relation to the key audit risk which have been identified as being significant for the current year accounts. These include:</p> <ol style="list-style-type: none"> <li>1. Core expenditure resource limit;</li> <li>2. Management override of controls;</li> <li>3. Accruals;</li> <li>4. Pension scheme; and</li> <li>5. Revenue recognition.</li> </ol>	<p>● ● ● ● ●</p>	<p>Section 1</p>

● Risk appropriately addressed.

● Risk satisfactorily addressed but with unadjusted errors identified.

● Material unresolved matter.

Our observations on your financial statements		
<p><b>Disclosures agreed as in line with the FReM and the NHS Board Accounts Manual</b></p>	<p>We have performed a review of the financial statements against the requirements of the NHS Board Accounts Manual issued by the Scottish Government Health Directorate and the FReM. We have made comments in this report on the following:</p> <ul style="list-style-type: none"> <li>• Disclosure of critical accounting judgements and key sources of estimation uncertainty;</li> <li>• Hutton disclosures on median pay; and</li> <li>• Disclosure on the NHS Superannuation scheme.</li> </ul>	<p>Section 3</p>

# Executive summary (continued)

Status	Description	Detail
<b>Our observations on the “front half” of your annual report</b>		
<b>Disclosures agreed as in line with the FReM and the NHS Board Accounts Manual</b>	<p>We have performed a review of the financial statements against the requirements of the NHS Board Accounts Manual issued by the Scottish Government Health Directorate and the FReM. We have made comments in this report on the following:</p> <ul style="list-style-type: none"><li>• Annual governance statement;</li><li>• Reporting of key performance indicators;</li><li>• Corporate governance disclosures;</li><li>• Sustainability and environmental reporting; and</li><li>• Going concern.</li></ul>	Section 4

# Executive summary (continued)

Status	Description	Detail
<b>Financial performance and outlook</b>		
<p><b>Current year saving of £1.523 million against core revenue resource limit</b></p> <p><b>A £1.5 million carry forward has been agreed with SGHD to be taken into 2012-13 .</b></p>	<p>NHS Education for Scotland (NES) agreed a planned underspend of £1.5million with SGHD for the year to 31 March 2012. The final outturn was a surplus against the core revenue resource limit of £1.523 million and surplus against non core of £0.137 million, representing a net surplus of £1.660 million.</p> <p>Capital expenditure was under spent by £0.140 million against a core capital resource limit of £1.744 million.</p> <p>For the year to 31 March 2012 NES had made progress towards the achievement of its 63 key performance targets within the NHS Education Local Delivery Plan which has been agreed with Scottish Government Health Department. Of the 63 targets 61 were green, one was amber, and one was red.</p> <p>A budget with proposed carry forward of £1million has been approved for 2012/13 with a carry forward of £1.5 million from 2011/2012. The carry forward is proposed to be utilised for investment in procurement and fit out of a commercial lease in Edinburgh as well as additional non recurrent investments. The budget for 2012/13 also includes a small number of recurrent investments, funded from savings delivered from the voluntary severance scheme.</p> <p>Only a one year budget has been approved by SGHD, the projected 2013/14 budget requires £0.993 million of cash releasing savings to achieve the break even position reflecting the increased cost pressures that are expected to exceed the Scottish Government Health Department funding.</p> <p>The 2012/13 capital programme includes committed and previously approved business cases, including £0.325 for the development of the interactive 2D and 3D digital visualisation applications and educational materials. The total 2012/13 capital budget has been set at £2 million which includes the fit out of new premises estimated at £1.4 million. This figure has yet to be finalised.</p>	<p>Section 5</p>

# Executive summary (continued)

Status	Description	Detail
--------	-------------	--------

Other issues		Status	Detail
<p>We are satisfied with management's procedures in place over other issues which have not been assessed as financial statement risks.</p>	<p>Other issues which have not been assessed as financial statement risks, but were considered as part of our audit in line with compliance with the Code of Audit Practice and work on Best Practice are:</p> <ol style="list-style-type: none"> <li>1. Efficiency targets;</li> <li>2. Achievement of HEAT targets;</li> <li>3. Activity based costing; and</li> <li>4. Outcome planning and budgeting.</li> </ol>	<p>● ● ● ●</p>	Section 6

● Issue reviewed & procedures deemed appropriate.      ● Issue reviewed and minor recommendations raised.      ● Issue reviewed and significant recommendations raised.

Best value toolkit		
<p>We have highlighted recommendations to the Board's current strategic planning and resourcing processes</p>	<p>In line with our planning paper we have completed our work on the Planning and Resource Management Toolkit. <b>Section 7</b> includes a summary of our findings.</p> <p>The key findings arising from this review are that a more multi-disciplinary approach is required to planning and resource allocation and, over the medium term, NES should consider adopting a more advanced Outcome Planning Framework.</p>	Section 7



# Executive summary (continued)

Status	Description	Detail
<b>National performance reports</b>		
	<p>In line with our planning paper we have completed our work on the National performance reports. <b>Section 8</b> includes a summary of our findings.</p> <p>We have reviewed how NES have responded to the national performance report “Scotland’s public finances: addressing the challenges” and in addition we have performed a focused follow up on ‘<i>The Role of Boards</i>’.</p>	Section 8
<b>Risk management and internal control systems</b>		
<b>We have not identified significant deficiencies in the financial reporting systems.</b>	<p>Our audit findings did not identify any significant deficiencies in the financial reporting systems.</p> <p><b>Section 9</b> sets out the risk management and control observations arising from our audit procedures.</p>	Section 9
<b>Independence</b>		
<b>We are independent as stipulated by APB Ethical Standards of Auditors</b>	<p>Our reporting requirements in respect of independence matters, including fees, are covered in <b>Section 11</b>.</p>	Section 11

# Executive summary (continued)

Status	Description	Detail
<b>Identified misstatements and disclosure misstatements</b>		
<p><b>All identified misstatements which are material have been corrected by management.</b></p>	<p>Audit materiality was £4.18m as set out in our audit plan. Final materiality based on year end balances has been calculated at £4.22m.</p> <p>No material uncorrected misstatements have been identified.</p> <p>Details of recorded audit adjustments are included in <a href="#">Appendix 1</a>.</p>	<p>Appendix 1</p>
<b>Significant representations</b>		
<p><b>No non-standard representations</b></p>	<p>A copy of the representation letter to be signed on behalf of the board is included at <a href="#">Appendix 2</a>. There are no non-standard representations.</p>	<p>Appendix 2</p>

# Financial statements and corporate governance

## 1. Significant audit risks

The results of our audit work on significant audit risks are set out below:

### Understanding the subjective judgements and estimates

The table below shows, on a range of acceptable outcomes from less prudent to more prudent, where management's key assumptions and valuations relating to significant estimates lie.

	← Acceptable range →														
<b>Accruals</b>	Less prudent									✓				More Prudent	Accruals at year end recorded in the correct accounting period. We noted that the GRNI accrual included £294,000 that was older than 12 months
<b>Pension scheme</b>									✓						Defined benefit pensions scheme accounted for based on a series of actuarial assumptions supported by actuarial valuation.
<b>Revenue recognition</b>								✓							Revenue recognised agrees to the final allocation per the Scottish Government

Current year position ✓

# Financial statements and corporate governance (continued)

## 1. Significant audit risks (continued)

### Core expenditure resource limit

Status ●

#### Background

The Scottish Government Health Directorate (SGHD) sets three financial duties for all NHS Boards, on an annual basis. NES has achieved all three of its financial targets in the year, as follows:

	Limit set by SGHD £m	Actual Outturn £m	Variance under £m
Revenue Resource Limit	424.5	422.8	1.7
Capital Resource Limit	1.7	1.6	0.1
Cash Requirement	427.0	426.1	0.9


#### Deloitte response

We confirm that NES has performed within the limits sets by the Scottish Health Directorate and therefore in compliance with the financial targets in the year.

We have reviewed the methods applied to monitor and report the compliance with these targets and any variances to the Board. The funding allocated to NES has been confirmed via confirmation from The Scottish Government dated 30 April 2012 and have agreed the cash drawn down to the bank statements. We have concluded that, through the performance of our year end procedures, the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Minister and the expenditure is valid and correctly classified between revenue and capital spend.

# Financial statements and corporate governance (continued)

## 1. Significant audit risks (continued)

Management override of controls	Status 
<b>Background</b>	Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities. This risk cannot be pinpointed to an account balance or potential error.
<b>Deloitte response</b>	<p>We have obtained an understanding of the design and implementation of the key controls in place in relation to the posting of journal entries. We have performed year end procedures on a judgemental sample of journal entries posted in the year and confirmed the appropriateness of the journals posted.</p> <p>In addition, we have also conducted a review of significant accounting estimates in order to assess the reasonableness of managements' judgements in relation to these estimates. We have not noted any transactions that appear to be outwith the course of normal business.</p>


# Financial statements and corporate governance (continued)

## 1. Significant audit risks (continued)

Accruals	Status ●
<b>Background</b>	As at the year end accruals total £6.3 million down from £8.4 million at the end of 2011. Given the judgemental nature of accruals along with their quantitative significance this was identified as a significant audit risk. The significant reduction in accruals from prior year relates primarily to the Good Received Not Invoiced (GRNI) accrual which has dropped by £2.6 million to levels more in line with 2010 and before with 2011 being exceptionally high as NES had been less proactive in chasing for invoices.
<b>Deloitte response</b>	<p>We have obtained an understanding of the design and implementation of controls in place to mitigate the risk of invalid accruals and have tested the operational effectiveness of controls around the expenditure cycle.</p> <p>A sample of accruals were obtained from an analysis of accruals and agreed to supporting documentation to confirm that it has been correctly calculated and included in the correct period. In addition, we have performed extended testing for unrecorded liabilities which includes testing post year end payments from the bank and unpaid invoice testing.</p> <p>During the review of aged balances included within the analysis of accruals, we have noted GRNI accruals totalling £294,000 that are greater than twelve months old. We understand that management have performed a detailed review of old aged accruals just prior to the year end and that they believe that these remain valid, albeit no invoice has yet been received and we suggest that management continue to monitor the ageing of the GRNI accrual.</p>


# Financial statements and corporate governance (continued)

## 1. Significant audit risks (continued)

Pension scheme	Status 
<b>Background</b>	NES has a defined benefit pension scheme, FPS 1654 Pension Scheme, which is accounted for based on a series of actuarial assumptions. Given the judgement involved around setting these assumptions we have identified a risk that these are not appropriate and therefore the valuation of the scheme (and the surplus / deficit) is incorrect.
<b>Deloitte response</b>	<p>We have obtained a copy of the actuarial report produced by Premier Pensions Management, the scheme actuary and agreed in the disclosures to note 21 within the accounts noting no issues. We have also assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.</p> <p>As at 31 March 2012, NES has again reported the value of the pension assets to exceed the present value of the liabilities, giving a surplus of £0.65million. We have concluded that because the scheme is closed and NES has no future employer contributions against which to offset the surplus, the surplus cannot be recovered and, therefore, cannot be recognised as an asset given that IAS 19 states that “the existence of an asset at the balance sheet date depends on whether NES has the right to obtain a refund or reduction in future contribution”, neither of which are the case.</p> <p>We concur with the write off of the increase in the surplus through the Statement of Changes in Taxpayers' Equity against the General Fund and confirm that the treatment is in accordance with the requirement of IAS19.</p> <p>We have also tested the valuation of the assets back to investment manager confirmations and agreed that the split has been performed in line with the 2010 valuation and agreed that this basis is suitable given that the assets are held as part of a pooled arrangement.</p> <p>We have liaised with our in-house actuary to ensure that the pension accounting and assumptions are accurate and have agreed that the disclosures are in accordance with IAS 19. We concur that the assumptions used appear reasonable and in line with those being used by other organisations with a March 2012 year end with the exception of the expected return on equities which at 4.6% we believe is too low (prudent). This assumption only impacts the 2012/13 position and so has no impact upon the reported position. The impact of adjusting this assumption to one that we believe to be more typical could be c. £0.05m.</p>

# Financial statements and corporate governance (continued)

## 1. Significant audit risks (continued)

Revenue recognition	Status 
<b>Background</b>	<p>Under ISA (UK and Ireland) 240 'The auditor's responsibility to consider fraud in an audit of financial statements there is a rebuttable presumption that there is a risk of fraud in relation to revenue recognition'.</p> <p>For NES we have considered this risk to be around the completeness of the Core and Non Core funding from the Scottish Government given the significance of this to the organisation.</p>
<b>Deloitte response</b>	<p>We have reviewed the treatment of income in the year to ensure that it is line with IFRS guidance and the Code. We have obtained a copy of the year end funding statement received from the Scottish Government dated 30 April 2012 which have been agreed to the amount recognised by NES. We have also agreed the core funding as received through the bank account.</p>



# Financial statements and corporate governance (continued)

## 2. Liaison with internal audit

A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the work of internal audit). We carried out an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function and concluded that we could place reliance on its work.

We placed reliance on aspects of their work in a number of areas and in particular Key Financial Controls. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Our reliance upon the work of internal audit was in line with the position presented within our planning paper dated 18 January 2012. In addition, we were also able to place reliance upon their review of the Governance Statement.

# Financial statements and corporate governance (continued)

## 3. Our observations on your financial statements

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understand ability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the organisation's accounting policies and estimates are discussed below.

### Disclosure of critical accounting judgements and key sources of estimation uncertainty

#### Description

IAS 1 requires disclosure of:

- the critical judgements made in the process of applying accounting policies, which have the most significant effects on the amounts recognised in the financial statements; and
- major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting judgements and key sources of estimation uncertainty identified by management are:

- provision costs associated with the expiry of leases (dilapidations provision);
- actuarial assumptions associated with the pension scheme; and
- calculation of annual and flexi leave.

#### Deloitte response

We have assessed the above disclosures based upon our review of the accounts and understanding of the organisation and the specific risks we identified as part of our planning process. We have not identified any other critical accounting judgements or key sources of estimation uncertainty that require to be disclosed. In respect of the dilapidations provision we have agreed the opening balances into the prior year report from Capita Simmons and agreed the decision not to relocate from Central Quay to Board approval and recalculated the movement in the year. See [section 1](#) around our work on the actuarial assumptions. In respect of the accrual for flexi leave earned but not taken we have considered this as part of our testing on accruals and tested based on the prior year noting no issues.

# Financial statements and corporate governance (continued)

## 3. Our observations on your financial statements (continued)

### Hutton disclosures on median pay

#### Description

The Hutton Review of Fair Pay in the public sector concluded that “rather than complying with a cap, organisations delivering public services should track, publish and explain their pay multiples over time. The most appropriate metric for pay dispersion is the multiple of chief executive to median earnings. This will ensure public service organisations are accountable for the relationship between the pay of their executives and the wider workforce.” Following approval from the FRAB on 25 January 2012 the FReM was updated to reflect this requirement.

The following has been appropriately included within the Remuneration report in relation to this:

	2012 £000	2011 £000
Highest Earning Director	205 – 210	205 -210
Median Salary	44	33
Ratio	4.82	6.42

#### Deloitte response

We have reviewed a copy of the Hutton guidance and performed the following procedures:

- Agreed a breakdown of the gross pay by individual to payroll reports and identified the highest paid director and agreed the midpoint of this into the calculation.
- Selected a sample of employees and checked salary, length of service in the year and hours employed to the payroll system and agreed that these have been adjusted to be reported as full time and annualised in line with the guidance.
- Checked the calculation to identify the median salary and the ratio.

We are satisfied that the calculation has been performed in line with the guidance and has been appropriately disclosed. The significant drop in the ratio has arisen due to the transfer of General Practitioners into NES employment from August 2011 which has increased the median salary.

# Financial statements and corporate governance (continued)

## 3. Our observations on your financial statements (continued)

### Disclosure on NHS Superannuation Scheme

#### Description

In addition to the FPS 1654 pension scheme discussed in **section 1** NES participates in the National Health Service Superannuation Scheme for Scotland which is a multi-employer defined benefit scheme.

As insufficient information is available about the assets and liabilities attributable to each employer, this scheme is accounted for as if it was a defined contribution plan, with no pension liability shown on balance sheet and contributions payable recognised as an expense each period.

IAS 19 requires disclosure of:

- the fact that the plan is a defined benefit plan;
- the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and
- to the extent that a surplus or deficit in the plan may affect the amount of future contributions
  - any available information about that surplus or deficit;
  - the basis used to determine that surplus or deficit; and
  - the implications, if any, for the organisation.

#### Deloitte response

We have reviewed the disclosures within the accounts against the FReM noting that section 12.1.1 includes the NHS Superannuation Scheme as a multi employer public sector pension scheme and a such under section 12.2.5 should accounts for this as a defined contribution scheme.

Reference is made to the Scottish Public Pensions Agency where details of the most recent actuarial valuation can be found along with details of the shortfall that has to be met by future contributions from employing Boards.

# Financial statements and corporate governance (continued)

## 4. Our observations on the 'front half' of your annual report

We are required to read the "front half" of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on disclosures in a number of key areas for high quality reporting:

### Annual governance Statement

*"All NHS organisations should aim to have all the risk management and review processes they consider necessary in place during each financial year. These processes should be reflected in the Governance Statement and where any necessary processes were not in place the statement should reflect the relevant deficiencies. Risk management should be an on-going process and NHS bodies should ensure that appropriate review and development arrangements are in place."*

In the current year the Governance Statement has replaced the Statement on Internal Control for all NHS organisations requiring the Chief Executive to sign off on his responsibility for maintaining an adequate and effective system of internal control.

As part of internal audit's remit they have reviewed the systems in place to ensure that there is sufficient evidence available to the Chief Executive to sign the Governance Statement and that the Governance Statement complies with the specific requirements set out by the SGHD.

We have obtained and reviewed a copy of the report produced by the internal audit team and placed reliance upon this work in assessing the disclosure requirements within the accounts. We have noted that an updated Governance Statement has been produced reflecting some of the comments made by internal audit and agree with the conclusions of internal audit around suitable controls being in place to support the statement.

It should be emphasised that changes to the underlying governance requirements this year are minimal and it is anticipated that more substantial changes will be forthcoming in 2012-13.

# Financial statements and corporate governance (continued)

## 4. Our observations on the 'front half' of your annual report (continued)

### Key performance indicators

*Under the NHS Board Accounts Manual consideration needs to be given within the Operating and Financial Review around the disclosure of both financial and non financial targets.*

We have reviewed the disclosures within the Operating and Financial Review against the requirements included within the NHS Accounting Manual. We note that consideration is given around both financial performance ([section 2](#)) and non financial targets ([section 3](#)) in line with the guidance.

#### **Financial targets**

These centre around the limits set by the SGHD and are discussed further within [section 1](#).

#### **Non Financial targets**

Each of the key Ministerial Objectives is separately and adequately disclosed summarising the individual targets against it along with the position of these as at the year end and we have agreed these into the Local Delivery Plan and reporting of these to the Finance and Performance Management Committee.

# Financial statements and corporate governance (continued)

## 4. Our observations on the 'front half' of your annual report (continued)

### Corporate governance disclosures

*“NHS Board directors are ultimately and collectively responsible as a board for all aspects of the performance of the Board. Therefore, they need to be able to deliver focused strategic leadership and effective scrutiny of the Board’s operations.”*

The Corporate Governance section of the Directors’ report includes details that the Board meet regularly to discuss the business of NES with detail given around the key committees that the organisation has in place being:

- Audit;
- Staff Governance;
- Patient Focus Public Involvement;
- Finance and Performance Management; and
- Educational and Research Governance.

The accounts then include specific details around the remit of each of these committees, including membership and attendance of members throughout the year.

### Sustainability and environmental reporting

*“The Scottish Government has provided guidance on the preparation of a sustainability report which, in contrast with England, is not required to be included within the OFR, though it should cross-refer to it. The accounts manual encourages boards to develop their own sustainability and environmental reporting based on good practice examples and publish them separately.”*

NES has in place an environmental policy and while a full sustainability policy does not exist has included details around areas they have developed in the year to support this including the link in to remote and rural areas as well as the planned rationalisation of offices in Edinburgh going forward.

While we understand that NES does not have the same issues that are faced by a territorial board consideration should be given to the creation of a more detailed sustainability report in line with Scottish Government best practice.

# Financial statements and corporate governance (continued)

## 4. Our observations on the 'front half' of your annual report (continued)

### Going concern

*“The purpose of the going concern assessment and disclosures should be to provide information to stakeholders about these matters and they should be designed to encourage appropriate business behaviours.”*

Lord Sharman November 2011

In line with the NHS Board Accounts Manual the Operating and Financial Review includes relevant disclosures around the basis of preparation. Specific reference is made to the net liabilities position that NES is in arising from the recognition of future liabilities that the organisation is currently committed to but that will be met through future funding from the SGHD.



# Best value, use of resources and performance

## 5. Financial performance and outlook

	2011/12			2012/13
	Recurring £m	Non-recurring £m	Total £m	Total £m
<b>Income</b>	418.328	6.141	424.469	420.007
<b>Expenditure</b>	416.807	6.002	422.809	419.007
<b>Surplus</b>	1.521	0.139	1.660	1.000

### Current performance

NES budgeted for a financial surplus of £1.5 million for the year to 31 March 2012. The final outturn was a surplus against the core revenue resource limit of £1.521 million and surplus against non core of £0.139 million, representing a net surplus of £1.660 million.

### Significant variations from budget included:

A number of directorates have reported an underspend/(overspend) during the year and we have summarised the key reasons below:

- West Medical - £0.484 million
- South East Medical - £1.067 million
- GP Medicine - £0.929 million
- Hospital Medicine - £0.411 million
- Capital charges & provisions - (£0.978 million)
- Other - (£0.253 million)

# Best value, use of resources and performance (continued)

## 5. Financial performance and outlook (continued)

**West Medical** - The underspend of £484k for 2011/12 is mainly due to underspends in Training Grades (£246k) due to savings resulting from the percentage of flexible (less than full time) salaries withheld from the Boards

**South East Medical** - The year to date underspend of £1,067k is primarily due to training Grades of £822k being the percentage of flexible (less than full time) salaries withheld from the Boards.

**GP Medicine** - The main causes of the £929k underspend is Training Grades of £606k incurred due to Vacancies and Maternity Leave.

**Hospital Medicine** - The main causes of the £411k year to date underspend is an E/portfolio VAT reclaim of £106k and training grades under spend of £139k incurred due to vacancies.

**Capital charges & provisions** - This budget line is used to manage the overall corporate position as well as capital charges and provisions. When slippage is identified during the year NES allocate funding from here to fund activities in other directorates. The net effect of this in 2011/12 was a budget transfer of £1.1 million. In addition to this, £0.8 million of voluntary severance costs were incurred this year. This would have resulted in an overspend of £1.9 million were it not for the reversal of £0.6 million balance sheet provisions (including early retirement pay, redeployment and redundancy) and a VAT reclaim of £0.2 million.

# Best value, use of resources and performance (continued)

## 5. Financial performance and outlook (continued)

### Outlook

For 2012/13 NES has received 0.8% budget uplift (£3.1 million) and has had £5 million removed from the baseline as “efficiency savings”. This results in a net budget reduction of £1.9 million.

The approved financial plan for NES includes a carry forward into 2012/13 of £1.5 million of non-recurrent general funds and an additional non-recurrent allocation of £1 million which will contribute to the property strategy in Edinburgh. NES has received approval to procure a commercial lease in Edinburgh for which the planned spend on procurement, fit out and move to new property during 2012/13 is significant.

The budget also includes provisions for specific risks and costs pressures on a recurrent basis amounting to £1.8 million in 2012/13. This includes cost pressures arising from a reduction of 0.3% in the employers NIC rebate applicable to contracted out pension schemes (including Training Grade Salaries) and pay pressures for incremental drift in payroll.

The budget for 2012/2013 indicates total funds available of £1.4 million after taking into accounts specific provisions and costs pressures noted above. This amounts to £1.1 million less than the funds carried forward which is an indication that the carry forward is being utilised to balance the required savings.

In considering the additional budget allocations NES might make in 2012/13, they have also taken into account the very considerable underspend and slippage which has been experienced year on year in the NES budget. In order to make some allowance for this, and to allow NES to plan for spend on a sensible basis they have assumed that they will achieve an underspend of £1m on a non recurrent basis which will be made available for investment. In order to manage this element of the budget NES will adopt the same approach as in 2010/11 when they were required by SGHD to achieve £5m savings on a non-recurrent basis. The approach involves removing slippage and underspend from the relevant budgets as and when it is identified, until the required target is achieved.

It is clear from the above, that whilst NES has funds available to invest on a non recurrent basis (as a result of carry forward, anticipated slippage and the additional allocation relating to the property strategy), the only funding available on a recurrent basis is the savings released from the Voluntary Severance scheme (£0.4 million) and therefore NES will need to identify additional savings of recurrent nature to balance the position as they move into 2013/14.

# Best value, use of resources and performance (continued)

## 6. Other issues

The results of our work on the other issues are set out below:

Efficiency targets	Status ●
<b>Background</b>	Given the increasing cost pressure on all public sector entities, there has been more focus placed on efficiency measures across the NHS. With the exception of protected areas, NES set a 3% efficiency targets across the organisation for the current year.
<b>Deloitte response</b>	We have gained an understanding of the processes within NES. Individual budget holders are required to identify potential budgetary efficiencies equivalent to their target and notify these as part of their Operational Planning. The target efficiency savings are removed from the budget allocated to the area. Budgets are monitored on a monthly basis at the Executive Team and at each Board Meeting, with the Director of Finance & Corporate Resources providing an update on performance against budget and providing detailed explanations around significant variances. We have concluded the procedures in place to identify potential efficiency targets and reporting to those charged with governance are appropriate.

# Best value, use of resources and performance (continued)

## 6. Other issues (continued)

### Achievement of HEAT targets

Status ●

#### Background

Performance indicators are reported on a monthly basis against Health improvement, Efficiency, Access and Treatment (HEAT) targets and reviewed by the Board with action plans developed where these are not being achieved.

For the year to 31 March 2012 NES had made progress towards the achievement of its 63 key performance targets within the NHS Education Local Delivery Plan which has been agreed with Scottish Government Health Department.

Summarised below are the performance of each target against achieved of greens status which implies that progress against this project or other target has been satisfactory.

	Target	● Status	● Status	● Status
Health Improvement of the people of Scotland	9	9	0	0
Efficiency and governance improvements	2	2	0	0
Access to services	24	23	1	0
Treatment of appropriate individuals	28	27	0	1

#### Deloitte response

Deloitte obtained a copy of the Quarter 4 Performance Management Report for the Local Delivery Plan and noted against the 63 targets 61 were green, 1 amber and only 1 red item. This indicates good progress against these targets with action plans in place to address those items where further progress was deemed necessary.

Performance against HEAT targets are monitored at the Finance and Performance Management Committee which in turn reports in to the main Board meetings. Key areas requiring improvement are identified and discussed with view to setting out an action plan to ensure improved performance.

# Best value, use of resources and performance (continued)

## 6. Other issues (continued)

Activity based costing	Status ●
<b>Background</b>	NES has undertaken significant analysis to support activity based costing within the organisation. This analysis is being used by business units to identify process efficiencies and improved ways of working.
<b>Deloitte response</b>	<p>NES has set up the Performance Improvement Programme Board during the year as part of a focus on improving performance. Its purpose as set out in the Committee's terms of reference is to 'review and prioritise potential performance improvement activities, set the measurement criteria and establish the evaluation framework against which Directorate's progress in delivering improved performance will be monitored.'</p> <p>One of the specific objectives of the board is to monitor and support Directorate action plans responding to Activity Based Costing reviews. Deloitte have obtained the minutes of this Board from inception in January 2012 to date and noted significant discussions around Activity Based Costing reviews. We have reviewed the arrangements in place and concluded the activity based analysis to be a fit for purpose decision making tool.</p>

# Best value, use of resources and performance (continued)

## 6. Other issues (continued)

### Outcome planning and budgeting

Status ●

#### Background

All public sector organisations are increasingly required to demonstrate the value of the outcomes delivered against the expenditure spent.

#### Deloitte response

We have considered the potential application of the NES activity based analysis for outcome based planning and budgeting. We have also reviewed the change management strategy to obtain assurance that it will deliver the required business benefits.

In line with all public sector bodies in Scotland, NES currently allocates budgets by directorate/ account rather than by activity and outcomes achieved. This approach is likely to be increasingly challenged going forward as it is not being consistent with delivering priority outcomes in key policy areas in Scotland including health and social care and early years. The current approach also brings with it associated challenges including:

- The structure of the financial ledger based on directorate or functions makes it difficult to isolate costs of activities;
- Indirect relationships between activities and outcomes may not be considered;
- Performance indicators are not always outcome focused, rather they are often based on inputs and outputs; and
- Evaluation and causation analysis is not carried out to establish “what works” so that budget decisions can be made accordingly.

While it is accepted that this should be a medium term aspiration, an Outcome Planning approach should be considered to encompass planning, performance management and resource allocation in order to create a more rigorous approach. Over the medium term, this would assist in establishing the funding ‘what works’ in achieving key priority outcomes and ensuring budget decisions are made accordingly. An outcome planning framework would typically include the following stages:

- Define a set of outcomes;
- Identify key activities that deliver these outcomes
- Identify the resources needed;
- Plan and prioritise the use of resources;
- Evaluation and causation analysis; and
- Make resource allocations based on what works.

# Best value, use of resources and performance (continued)

## 7. Best value toolkit

As presented within our planning paper the Planning and Resource Management toolkit was selected based on consideration of local circumstances and risks. This work has been completed and our detailed findings from this review are included in a separate report to the Audit Committee with a summary of these detailed below.

We reviewed the Board's strategic planning and resourcing processes in the context of its overall planning framework to assess how the approach helps to deliver improved outcomes.

The specific objective of our review was to make an assessment of the Board's arrangements for outcome based planning, and in particular review whether the Board:

- can demonstrate effective strategic planning and resourcing of its activities to deliver its vision;
- has a well-developed planning framework that ensures effective integration of strategy and resources; and
- if its approach helps to deliver improved outcomes.

Our report concluded that NES applies a number of areas of best practice around planning and resource alignment. Some areas have been noted for management consideration and should be considered as more medium to long term actions.

The key findings arising from this review is that a more multi-disciplinary approach is required to planning and resource allocation to ensure that the organisation is working collaboratively to achieve its agreed outcomes. In addition, over the medium term, NES should consider adopting a more advanced Outcome Planning Framework.



# Best value, use of resources and performance (continued)

## 8. National performance reports

As part of our audit we have completed our review of how NES have responded to the national performance report “Scotland’s public finances: addressing the challenges” assessing

- The level of discussion of the report at Board Level;
- If the audited body completed a self assessment against the relevant findings;
- Details of any action plan flowing from this self assessment; and
- Form an opinion over the audited body response to the report findings.

In addition we have performed a focused follow up on ‘*The Role of Boards*’. This work has been completed and our detailed findings from this review are included in a separate report to the Audit Committee with a summary of these detailed below:

- Overall the view is that there is a good working relationship between the various Committees and there is a framework in place to ensure that key issues are covered along with being flexible to enable any present issues to be discussed and dealt with. The view was also that the Board members had a good broad skill mix covering strategic and compliance issues.
- While no formal assessment on the performance of the Board or the underlying Committee structures has been undertaken in the past year this remains under constant review through meetings between the Chair and Committee Chairs as noted by the recent plan to reduce the number of Committees.
- Internal audit also play a key role in helping the organisation to continue to improve with a clear link into each Committee as appropriate.
- The composition of the current Board is considered to be very good with a varied skill mix and a split between those who get into the detail of the issue complementing others who take a more strategic view.
- Board membership is predominantly from a public rather than a private sector background
- NES have an induction programme in place for all new non-executives and the Chair meets regularly with non-executives to discuss their performance.

# Best value, use of resources and performance (continued)

## 9. Risk management and internal control systems

Our audit approach in relation to internal control was set out in our 'Briefing on audit matters' and our planning report circulated to you on 18 January 2012. Following the completion of our audit we will provide a separate management letter but raise matters of significance to your attention within this report.

### Key controls over significant risks

In **Section 1** we discussed the identified significant audit risks. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas, summarised below.

Risk 1 – Core expenditure resource limit	Deloitte observations	2012
<b>Monthly monitoring performed against SGHD financial targets</b>	Performance is reviewed on a monthly basis and presented to the Board against the core revenue, non core revenue and core capital resource limits to ensure that these limits are not breached.	We have reviewed the September 2011 financial monitoring report confirming that this is monitored and reviewed on a regular basis.
<b>Risk 2 – Management override of controls</b>	<b>Deloitte observations</b>	<b>2012</b>
<b>Journal entries are approved and a detailed reviewed performed of monthly accounts</b>	Controls are in place over financial reporting and closing procedures, recording and processing of journals, segregation of duties and related party transactions prevent the management override of controls. In addition a detailed review is performed each month on the results through the financial monitoring report.	We have tested a judgmental sample of journal entries posted in the year and confirmed the appropriateness of the journals posted including approval. During tested, we noted that cash payment and receipts journals did not have evidence of preparer sign-off. We recommend that all journals include details regarding the preparer and are appropriately evidenced by means of a physical sign-off as preparer.  As noted above we have also reviewed the September 2011 financial monitoring report confirming that this is monitored and reviewed on a regular basis.

# Best value, use of resources and performance (continued)

## 9. Risk management and internal control systems (continued)

Risk 3 – Accruals	Deloitte observations	2012
<p><b>Review of month end accruals and approval of journal entries</b></p> <p>Monthly review of accruals by senior management to ensure the appropriateness of accruals along with the approval of journal entries. In addition a detailed review is performed each month on the results through the financial monitoring report.</p>	<p>We have noted evidence of the review performed by senior management per inspection of the October 2011 accruals analysis.</p> <p>As noted above we have also reviewed the September 2011 financial monitoring report confirming that this is monitored and reviewed on a regular basis.</p>	●
Risk 4 – Pension scheme	Deloitte observations	2012
<p><b>Actuarial report obtained detailing key assumptions and disclosures</b></p> <p>An actuarial report is received by NES and the corresponding figures and actuarial assumptions are included within the disclosures of the annual accounts. The accounts are reviewed by senior management ensuring these reflect the actuarial report.</p>	<p>We have obtained the March 2012 actuarial report and agreed the actuarial assumptions and disclosures to the annual accounts.</p>	●
Risk 5 – Revenue recognition	Deloitte observations	2012
<p><b>The resource limit as determined by the Scottish Government is correctly recorded within the annual accounts.</b></p> <p>Management receives notification on a monthly basis from the Scottish Government confirming the resource limit for non core revenue, core revenue and core capital. This is reviewed by the Head of Finance to ensure funding is correctly recorded.</p>	<p>We have obtained the year end 2012 allocation letter and agreed the amounts to the annual accounts.</p>	●

● No issues noted      ● Satisfactory – minor observations only      ● Requires improvement      ● Significant improvement required

# Best value, use of resources and performance (continued)

## 9. Risk management and internal control systems (continued)

### Internal control observations

In addition to the recommendations provided in relation to significant audit risks, we also identified a number of risk management and control observations, the most significant of which are detailed below.

#### Capital expenditure authorisation

Priority – ●

##### Description

We have noted cases where fixed assets additions were identified by review of expenditure codes instead of formalised procedures to notify Central Finance at the point of purchase.

##### Recommendation

We recommend a formalised process for the identification of capital expenditure and authorisation by Director of Finance.

##### Management response

We are aware that there is an issue with regard to the level of knowledge and experience throughout the organisation to appropriately identify assets. We have begun to address this in a series of Finance training courses which we ran throughout February and March. It is anticipated that our plan to create a centrally managed operational procurement team will also alleviate this as all purchase requests will go via this team. The operational planning guidance 13/14 will reiterate the fact that the current operational planning model has a flag which should be used when capital expenditure is anticipated.

**Timeframe:** November 2012

**Owner:** Deputy Director of Finance

# Best value, use of resources and performance (continued)

## 9. Risk management and internal control systems (continued)

### Internal control observations (continued)

#### Management review of Payroll reports Priority – ●

**Description** During the review of payroll reports, we identified that the monthly payroll variance reports and monthly new starters/leavers reports had no evidence of review by senior management.

**Recommendation** We recommend that these reports are reviewed by the appropriate level of management and signed as evidence of the performance of the review.

**Management response** These reports are reviewed by appropriate staff. The starters/leavers process already has a series of checks involving both HR and Finance staff whilst the payroll variance reports are reviewed by the payroll teams at NSS and at NES. However, a requirement to sign the reports as evidence of review will be implemented.

**Timeframe:** July 2012

**Owner:** Head of Financial Services

#### Supplier statement reconciliations Priority – ●

**Description** We noted that supplier statements were not received as at 31st March 2012 and therefore the reconciliations which were performed for key suppliers were to the statement date rather than to the year end.

**Recommendation** We recommend that at the year end management should request statements for all key suppliers as at 31st March.

**Management response** For year-end 2012/13 and beyond statements will be requested from key suppliers as at 31st March.

**Timeframe:** January 2013

**Owner:** Head of Financial Services.

# Best value, use of resources and performance (continued)

## 10. National fraud initiative (NFI)

NFI brings together data from all bodies across the public sector to help identify and prevent frauds against the public sector including housing benefit and payroll frauds.

The Employee Director has assumed responsibility for the NFI exercise as the fraud champion, with responsibility for investigating the matches and resolving potential issues delegated to the Director of Finance (Fraud Liaison Officer).

To 31 May 2012 all 63 matches had been reviewed to determine a suitable course of action and to investigate and conclude on the reason for the match. This includes reviewing payroll records, liaising with the Human Resources Department, other Health Boards and Local Authorities.

The majority of the matches received related to employees working on multiple jobs. The Human Resources Department is contacted to ensure the individual has formally applied for permission to work on a secondary job and received the appropriate authorisation. Checks are also performed on individuals with long term sickness absence to ensure they are not working for other Boards or Local Authorities.

We have also confirmed that the questionnaire submitted to Audit Scotland in 2011 remains valid.

As at 31 May 2012 no frauds have been identified through the 2011/12 NFI exercise.

# Other

## 11. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below.

Confirmation	
<b>We are independent</b>	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Non-audit services	
<b>No non audit services provided in the year</b>	<p>In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non audit services or of any apparent breach of that policy.</p> <p>There was no non audit services fees charged in relation thereto by Deloitte in the period from 1 April 2011 to 31 March 2012.</p>

Fees	
<b>Audit fee agreed within indicative range</b>	<p>The audit fee for the year has been agreed at £73,447 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland. This fee incorporates the contribution to Audit Scotland covering your organisation's allocation of the costs of, among other things:</p> <ul style="list-style-type: none"><li>• the programme of national performance audits in the NHS as set out in the recently published forward programme;</li><li>• functions that support the local audit process (e.g. technical support and co-ordination of the National Fraud Initiative);</li><li>• Audit Scotland's other support costs; and</li><li>• auditors' travel and subsistence expenses.</li></ul>

Relationships	
<b>There are no business or personal relationships to report</b>	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>

# Other (continued)

## 12. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland, within the Code of audit practice, explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you within our audit plan dated 18 January 2012 and sets out those audit matters of governance interest which have come to our attention during the planning of our audit to date. Our audit is not designed to identify all matters that may be relevant to the board and our final report on the audit will not necessarily be a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Board of Directors, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



### **Deloitte LLP**

Chartered Accountants  
Glasgow

14 June 2012



# Appendices

## 1 - Audit adjustments

### Uncorrected misstatements

As stated in our audit plan, we only report to you uncorrected misstatements that are not clearly trivial which includes greater than £80,000. We have not identified any uncorrected misstatements up to the date of this report.

### Corrected misstatements

We report all individual identified recorded audit adjustments in excess of £80,000 adjusted by management in the table below.

		Credit/ (charge) to current year SOCNE £'000	Increase/ (decrease) in taxpayers' equity £'000	Increase/ (decrease) in prior year taxpayers' equity £'000
<b>Factual misstatements</b>				
Adjustment to dilapidation provision as at year end	[1]	87	(87)	-
<b>Total</b>		<u>87</u>	<u>(87)</u>	<u>-</u>

[1] The adjustment relates to an initial error in the recognition of the dilapidation provision relating to Central Quay, Glasgow

### Disclosure misstatements

We have not identified any disclosure misstatements from our work performed.

# Appendices (continued)

## 2 - Representation letter

Deloitte LLP  
Lomond House  
9 George Square  
Glasgow  
G2 1QQ

Our Ref: NES/2012

***Date: at time of signing***

Dear Sirs

This representation letter is provided in connection with your audit of the annual financial statements (“the financial statements”) of NHS Education for Scotland for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of NHS Education for Scotland as of 31 March 2012 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the directions given by the Auditor General for Scotland (‘the Auditor General’) in accordance with Section 21 of the Public Finance and Accountability (Scotland) Act 2000. We are aware that it is an offence to mislead a Board auditor.

As Accounting Officer and on behalf of the board of directors, I confirm to the best of my knowledge and belief, the following representations.

### *Financial statements*

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with the directions given by Scottish Ministers and the National Health Service (Scotland) Act 1978 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “*Related party disclosures*”

# Appendices (continued)

## 2. Representation letter (continued)

5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. There are no uncorrected misstatements or disclosure deficiencies.
7. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Board or cease operating as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Board's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
8. We have considered the valuation of the Board's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year
9. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

### *Information provided*

10. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

# Appendices (continued)

## 2. Representation letter (continued)

14. *We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects NHS Education for Scotland and involves:*
  - (i). management;
  - (ii). employees who have significant roles in internal control; or
  - (iii). others where the fraud could have a material effect on the financial statements.
15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
16. We are not aware of any actual or possible instances of non-compliance with laws and regulations.
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
18. No claims in connection with litigation have been or are expected to be received.
19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
20. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
21. I confirm that I have appropriately discharged my responsibility for the regularity of transactions
22. We confirm that all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, statutory, contractual or implicit have been identified and properly accounted for; all settlement and curtailments have been identified and properly accounted for; all events which relate to the determination of pension liabilities have been brought to the actuary's attention; the actual assumptions underlying the valuation of the scheme liabilities accord with the directors' best estimate of the future events that will affect the cost of retirement benefits and are consistent with the entity directors' knowledge of the business; the actuary's calculations have been based on complete and up to date member data (as far as is appropriate regarding the adopted methodology) and the amounts included in the financial statements derived from the work of the actuary are appropriate.

# Appendices (continued)

## 2. Representation letter (continued)

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Accounting Officer, and on behalf of the Board of Directors

# Appendices (continued)

## 3 – Additional resources available to you

### Additional information on current and future technical developments

#### IASPlus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes:

- Summaries of all IASB standards and interpretations;
- Background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings;
- Comparisons of IFRSs and various local GAAPs;
- Updates on national accounting standards development in around 80 countries and regions throughout the world; and
- Free e-learning modules for each IAS and IFRS – made available at no charge in the public interest.

The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>.

#### Our range of publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area.

Our range also includes quarterly iGAAP newsletters providing a roundup of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

#### Stay tuned online: Internet-based corporate reporting updates

The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues.

Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit).

#### Audit podcasts

Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit). Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

# Appendices (continued)

## 3 – Additional resources available to you (continued)

### Additional information on current and future technical developments

#### Deloitte UK Centre of Health Solutions

The Deloitte Centre for Health Solutions generates insights and thought leadership based on the key trends, challenges and opportunities within the healthcare and life sciences industry. Working closely with other centres in the Deloitte network, including the US centre in Washington, our team of researchers develop ideas, innovations and insights that encourage collaboration across the health value chain, connecting the public and private sectors; health providers and purchasers and consumers and suppliers.

'Primary Care: Today and Tomorrow' was published in May 2012 and upcoming studies include:

- Healthcare for the Homeless;
- The Economic Case for Improving Diagnostics in the UK;
- Value Based Pricing;
- Measuring the Return from (Pharma) Innovation – is R&D earning its investment;
- Commissioning; and
- End of Life Care.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2012 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

**Member of Deloitte Touche Tohmatsu Limited**