

NHS Grampian

Final Report to the Audit Committee on the 2013/14 Audit



24 June 2014

the
Distinctive
audit

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17 June 2014

Dear Board Members,

We have pleasure in setting out in this document our final report to the Audit Committee of NHS Grampian for the year ended 31 March 2014, for discussion at the meeting scheduled for 24 June 2014. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2014.

In summary:

- The major issues, which are summarised in 'the big picture' have now been 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.
- A full revaluation of all land and buildings has been performed this year, including a change in methodology for valuing health centres and clinic, reclassifying from specialist to non-specialist assets. This change in accounting estimate has been disclosed in Note 11(d). We are satisfied that there is a sufficiently strong case to justify the change and that the approach adopted is sufficiently robust. This change has led to greater than normal change to the valuation figures, however, it is anticipated that this will be a one-off correction. A £10.710 million impairment has been recorded in 2013/14 as a result of this.
- In the absence of unforeseen difficulties, 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.

Yours faithfully



Jim Boyle
Senior Statutory Auditor

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A reminder of our audit plan:

- Group Materiality: £8.2 million (2012/13: £7.9 million).
- Threshold for reporting misstatements: £82,000 (2012/13: £79,000).
- Significant risks over achievement of resource limits, provisions, management override of controls, revenue recognition, property, plant & equipment valuations and the Hub-Co Health Village.
- We have taken a controls reliance approach for payroll and expenditure, using the work of internal audit for the latter.



The big picture

The big picture

We anticipate issuing an unmodified audit opinion

- We have identified **no material issues** and have **no material audit adjustments**.
- Our **final materiality was £8.2m** (2013: £7.9m).
- We believe the front half of your annual report is consistent with the financial statements and is in line with the requirements of the FReM.
- Our work has highlighted **no disclosure deficiencies**.
- We **have no material control matters** to draw to your attention based on our testing carried out. Our controls observations have been included within Section 6 of this report.
- There have been no changes to the audit plan set out in the planning audit committee document.
- We did not identify any instances of fraud. See Appendix 3 for details of fraud considerations.
- We placed reliance on the work of the internal auditors in relation to key financial controls, with specific reliance on expenditure controls, as well as their work on the annual governance statement.
- A copy of the representation letter to be signed on behalf of the board has been included at Appendix 5 of this report.
- 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. (See Appendix 2 for further detail).

Our work is substantially complete and we remain on timetable to issue an unmodified audit opinion.

We have the following principal matters to complete:

- Review of final accounts
- Completion of second partner review procedures
- Our review of events since 31 March 2014
- Receipt of signed management representation letter

Materiality and uncorrected misstatements

Uncorrected misstatements are significantly below audit materiality

Three uncorrected audit adjustments were noted as follows:

- The valuation provided in the final reports for Huntly Health Centre was overstated as the value for the Huntly Dental Centre has been overstated. This has resulted in asset being overstated by £241,000. This would result in an adjustment of £235,000 against the Revaluation Reserve and an impairment of £6,000 to the Statement of Comprehensive Net Expenditure. This adjustment would have no impact on the Board's achievement of its financial target.
- In line with previous years, due to the timing of receipt of data on expenditure relating to prescription costs, a difference of £225,000 was noted between the amount accrued and the actual expenditure incurred.
- Similarly, due to timing of receipt of data, a further difference was noted of £124,000, mainly relating to ophthalmic services expenditure. As this expenditure receives non-discretionary funding, there is a corresponding difference in the income, therefore the net effect is nil.

We will obtain written representations from the Board Members confirming that after considering all uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments are required.

Introduction

Introduction

Scope, nature and extent of audit

Our overall responsibility as external auditor of the Board is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

Our core audit work as defined by Audit Scotland comprises:

- Providing the Independent Auditor's Report on the financial statements (including any assurance statement on consolidation templates and summary financial information);
- Providing the annual report on the audit to those charged with governance;
- Providing reports to management, as appropriate, in respect of the auditor's corporate governance responsibilities in the Code (including auditors' involvement in NFI); and
- Undertaking work required by Audit Scotland, including: providing information for the NHS financial performance report and NHS current issues report for the Auditor General; a review of elements of Best Value in Boards and feedback on local responses to national performance audit reports in Boards.

In addition to this annual report, we have completed and reported the following matters to those charged with governance (the Audit Committee) of the Board):

- Planning Report
- Progress reported to each Audit Committee meeting; and
- Best Value report on partnership working.

The key issues from these outputs are summarised in this report.

Significant audit risks

Significant audit risks

Understanding the subjective judgements and estimates

The risk table below illustrates the key audit risks focused upon where Deloitte identified areas which involved the highest level of impact on the financial statements.

		Acceptable range												
Core revenue resource limits	Less prudent						✓							We have confirmed that NHS Grampian has performed within the limits set by the Scottish Government.
Clinical & medical negligence provisions							✓							Provisions based on information provided by independent third parties, including the Central Legal Office. Largest provision in relation to clinical and medical negligence and provision applied based on level of risk – Cat 1 (0%), Cat 2 (50%) and Cat 3 (100%). This approach is standardised across all NHS Scotland bodies.
Management override of controls							✓							Our testing around journal entries is ongoing. We have noted no issues with journal entries and other adjustments made in the preparation of the financial statements.
Revenue recognition – completeness of funding							✓							Income recognised agrees to the final allocation per the Scottish Government. Income from other NHS Scotland Boards confirmed to third party confirmation via SFR 30.
												More prudent		

Significant audit risks (continued)

Understanding the subjective judgements and estimates (continued)

The risk table below illustrates the key audit risks focused upon where Deloitte identified areas which involved the highest level of impact on the financial statements.

		Acceptable range													
PPE valuation	Less prudent					✓								More prudent	<p>Revaluations of PPE based on methodology and assumptions adopted by the District Valuer. All PPE fully revalued during 2013/14.</p> <p>We are satisfied that the correct guidance has been followed, with the exception of the observations on Modern Equivalent Asset (MEA) considerations and Building Cost Information Service (BCIS) Location Factors noted on page 14-15. These issues do not have a material impact on the financial statements.</p>
HubCo – Health Village							✓								<p>Asset recognised on Balance Sheet at £14.6m in accordance with valuation provided by the District Valuer. Corresponding long term liability recognised in accordance with IFRIC 12.</p> <p>Over the 25 years of the project, the annual contract payment will be apportioned between the repayment of the liability, a finance cost and the charge for this service from 2013 to 2038.</p>

Significant audit risks (continued)

Core expenditure resource limit

Nature of risk

Key financial duty for NHS Grampian to comply with the Revenue Resource Limit, Capital Resource Limit and cash requirements set by the Scottish Government. Given the overspends reported during the year, there is a risk that these limits will be exceeded.

The key judgement area, its impact on the financial statements and our audit challenge

This is a key focus for management and our audit testing. We must provide an opinion on regularity, to the effect that expenditure and receipts were incurred or applied in line with guidance. We have assessed whether expenditure is correctly classified between revenue and capital and whether it has been incurred in accordance with Scottish Government's guidance. No issues noted.

Other audit work performed to address the significant risk

We performed focused cut-off testing and in particular testing of the prescribing accrual to assess completeness of recorded expenditure. With the exception of the uncorrected misstatements noted in Appendix 1, no issues noted.

We also obtained independent confirmation of funding allocated to NHS Grampian by the Scottish Government in its letter of 25 April 2014 and we have agreed the cash draw down to the bank statements.

	Expenditure £000s	Resource Limit £000s	Var £000s
Core revenue resource limit	835,865	835,981	116
Non core revenue resource limit	42,542	42,542	-
Core capital resource limit	39,615	39,615	-
Non core capital resource limit	14,636	14,636	-
Cash requirement	927,239	928,000	761

Deloitte view

- We have concluded 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 Ministers and the expenditure is valid and correctly classified between revenue and capital.
- We confirm that NHS Grampian has performed within the limits set by the Scottish Government Health and Social Care Directorate (SGHSCD) and therefore in compliance with the financial targets in the year.

Significant audit risks (continued)

Provisions

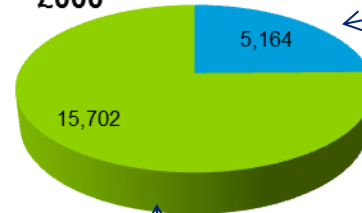
Nature of risk

There is significant judgement and complexity around this calculation, with both the Provision and associated Debtor individually material. As such, there is an increased risk that the provision is incorrect or incomplete.

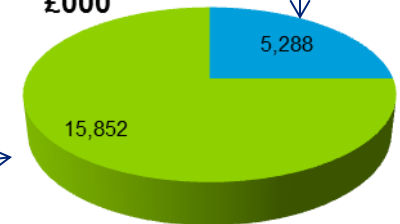
The key judgement areas, its impact on the financial statements and our audit challenge

- We obtained a direct legal confirmation from the Central Legal Office (CLO) in relation to ongoing litigation cases and agreed the year end provisions against ongoing legal cases.
- We have obtained an update on outstanding claims post year-end to ensure completeness.
- We agreed a sample of movements in the year to supporting evidence, and challenged the CLO on significant increases.
- NHS Grampian provide for 100% of category 3 cases and 50% of category 2 cases, with no provision against category 1 cases. This approach is standardised across all NHS Scotland bodies and we have recalculated to ensure that NHS Grampian comply with this policy.
- All contingent liabilities have been recalculated and agreed to disclosure through Note 19 of the financial statements.

2012/13 Provisions
£000



2013/14 Provisions
£000



Pensions and similar obligations in line with prior year (not considered a significant risk)

Clinical and medical negligence in line with prior year, with £12.209m classified as being payable between 2 and 5 years (£13,319m in 2012/13) based on estimated settlement dates provided by the CLO.

As NHS Grampian is only liable for the first £25,000 for each negligence case, a corresponding debtor of £16.408 million was disclosed within Receivables for amounts due from the Scottish Government. This is higher than the actual provision as settlement has been made on some cases towards the end of 2013/14, which have still to be recovered from the Scottish Government.

Deloitte view

From our audit procedures, we are satisfied that the provision and associated debtor are not materially misstated.

Significant audit risks (continued)

Property, plant and equipment valuations

Nature of risk

Changes in the property market and economic environment can drive significant movements in valuation. There is a risk of material misstatement of the property, plant and equipment on the balance sheet.

Key facts and assumptions considered by the Board in preparing the impairment assessment

IFRS requires assessment with significant regularity to ensure no significant divergence between carrying value and fair value of assets.

The key judgement areas, impact on the financial statements and our audit challenge

- We reviewed the external revaluations performed in the year and assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We tested a sample of revalued assets and reperformed the calculation assessing whether the movement has been recorded through the correct line of the accounts;
- We considered assets classified as surplus or held for sale to assess whether these have been valued and disclosed in line with IFRS ;and
- We involved the use of our internal property specialists to review and challenge the assumptions and methodology adopted by the District Valuer.

Net Book Value of Property, plant & equipment at 31 March 2014:
£545.610 million

Upward revaluation: £26.156 million credited to the Revaluation Reserve. The most significant increases include:

- Aberdeen Royal Infirmary – £6.2 million
- Dr Gray's Hospital - £2.3 million
- Woodend Hospital – £2 million
- Royal Aberdeen Children's Hospital - £2 million
- Royal Cornhill Hospital - £1.8 million

These increases are as a result of a general increase in forecasted building costs over the last year which has a direct impact on any asset valued on the Depreciated Replacement Cost approach.

Impairment charged to SOCNE: £15.439 million

- £4.729 million is in relation to capitalised costs in the year which have been re-valued downwards based on valuation of the projects.
- £10.710 million is in relation to revaluation of land and buildings.

The impairment arising from revaluation is largely due to a change in methodology for valuing health centres as referred to on the following page.

Significant audit risks (continued)

Property, plant and equipment valuations (continued)

Observations on methodology adopted by District Valuer

Area	Observation	Conclusion
Valuation of Health Centres and Clinics	<p>The majority of health centres and dental units had previously been valued on a Depreciated Replacement Cost (DRC) basis as they had been classified as specialist operation properties. In 2013/14, the DV has changed the methodology and valued these at Existing Use Value (EUUV). The validity of this approach is reliant upon there being sufficient body of transparent market evidence which can be analysed and adjusted to form the key inputs to the valuation, i.e. market rents and capitalisation yields.</p>	<p>From our detailed review, we are satisfied that there is a sufficiently strong case to justify the change in determining selected assets' Fair Value and that the approach adopted is sufficiently robust. This change has led to greater than normal change to the valuation figures, however, it is anticipated that this will be a one-off correction.</p>
BCIS build cost indices	<p>The DV has confirmed that they have not used BCIS Location Factor adjustments when determining their build costs adopted in the DRC valuations for specialised assets. The DV has explained that the Scottish Government allowed health boards to elect not to adopt Location Factor adjustments due to their occasionally volatile nature. This should be reviewed to ensure consistency with other NHS bodies.</p>	<p>We would recommend that there is continued dialogue between the DV and NHS Grampian on this issue. If build costs are not adjusted to reflect the BCIS' Grampian Location Factor, the DV should support this approach by evidencing analysis of actual build costs for projects in the Grampian area, which justify the adoption of a higher national rate. Appendix 4 – Action Plan.</p>

Significant audit risks (continued)

Property, plant and equipment valuations (continued)

Observations on methodology adopted by District Valuer (continued)

Area	Observation	Conclusion
Modern Equivalent Asset (MEA)	<p>Whilst the DV has confirmed that the MEA has been assessed in relation to assets valued on the DRC basis, this is largely restricted to the adoption of modern replacement build costs. It would appear that the DV's MEA considerations do not extend to the consideration of buildings or site sizes as they argue that it is for the client to determine whether the buildings or sites are of the correct or superfluous size to deliver the existing services.</p> <p>We understand that this was considered by NHS Grampian a number of years ago, but has not been revisited.</p>	<p>We consider that NHS Grampian needs to have a continued ongoing dialogue with the DV on this issue as the valuations should take account of all MEA considerations including the size of a modern NHS Grampian estate. Appendix 4 – Action Plan.</p>

Deloitte view

We are satisfied that the correct guidance has been followed and the correct valuation bases are being adopted. The DV is independent of NHS Grampian, appropriately qualified and appears to have the requisite experience to undertake the valuations.

From our audit procedures, we can also conclude that the NBV is not materially misstated.

Significant audit risks (continued)

We have no significant findings in respect of the below risks

Management override of controls

- Our testing around journal entries is ongoing. We will provide a verbal update to the committee on our assessment of the journal entries and other adjustments made in the preparation of the financial statements.
- Our review of accounting estimates for bias that could result in material misstatement due to fraud noted no issues.
- Retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

Revenue Recognition - Completeness of income

- Risk was pinpointed to completeness of other operating income outwith the core funding from the Scottish Government.
- No issues noted from our review of the treatment of income in the year, which has been accounted for in line with the FReM.
- We have agreed third party confirmation to those amounts due from other NHS Scotland Boards.
- We have also agreed income to bank payments received.

HubCo – Health Village

- This is the first such contract in Scotland, and the accounting entries are based on a complex accounting model which includes key estimates and judgements, therefore there is a risk that this is accounted for incorrectly. The annual contract payment is apportioned between the repayment of the liability, a finance cost and the charge for the service. The service charge and finance cost interest element are charged directly to the SOCNE.
- We have reviewed and challenged the accounting model used to produce the accounting entries and disclosures made in the financial statements, through agreement of disclosures back to the project agreement. No issues noted.
- The asset was brought on balance sheet at £14.6 million, with corresponding liability. Over the 25 years of the project, the annual contract payment will be apportioned between the repayment of the liability, a finance cost and the charge for this service from 2013 to 2038.

Your annual report – our review and insights

Comments on the front half of your annual report

The front half meets current regulatory requirements

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 your response to these areas:

Directors’ Report and Strategic Report

The Strategic Report is a new requirement in current year, and has been given appropriate prominence after the remuneration report within the financial statements. The FReM requires the Strategic Report to disclose information required by the Companies Act, including disclosing information previously included in the Directors’ Report, including:

- Strategy and Business Model
- Key Performance Indicators (Financial and Non-Financial)
- Risk Disclosures
- Sustainability reporting

The following new disclosures have been made in 2013/14 in accordance with the Companies Act:

- Social Community and Human Rights
- Board’s strategy (2020 vision)
- Analysis of employee numbers by gender

Assessing effectiveness of external audit process

The UK Code of Governance requires a statement in the Report of the Audit Committee in the annual report about how the audit committee has assessed the effectiveness of the external audit process. The assessment would be timed in the audit cycle to be performed after an audit is concluded.

While this is not yet a requirement for Scottish NHS Boards, we recommend that this is something that the Board consider as good practice. [Appendix 4 – Action Plan](#).

Our publication, “**Governance in Focus: a framework for assessing the effectiveness of the external audit process for Foundation Trusts**”, provides a guide to assist the Audit Committee in meeting its responsibilities in this area.

Disclosures made are in accordance with the FReM and Accounts Manual

Comments on the front half of your annual report (continued)

Remuneration report

From 2013/14, the 2008 regulations have been amended to require disclosure of a single total remuneration figure. Further guidance was issued by the Technical Accounting Group (TAG) to ensure consistency across NHS Scotland Boards.

The main change relates to the disclosure of all pension related benefits as part of the total remuneration figure, which the regulations require to be calculated in accordance with the 'HMRC method'. Due to the nature of a "final salary" scheme, where a director's salary increases, this will be reflected in a larger movement in the overall value of their pension entitlement – similarly, where the rules of the scheme mean that there is a limited increase in the value of the pension payable relative to inflation and the employee's contributions, then the calculation can show a "negative" pension figure for the year, which is then shown as a "nil" figure in the table. These factors mean that year on year there can be significant volatility in the level of pension remuneration for an individual.

We have confirmed that NHS Grampian have disclosed the single total remuneration figure for each Member in accordance with the regulations and provided adequate explanatory notes to explain the volatility in the figures year on year.

Comments on the front half of your annual report (continued)

Governance statement

“An important priority is to ensure that governance statements laid out the organisation’s approach to governance in the context of its business model. Getting this right matters as much as improving the quality of specific explanations” FRC February 2012

The Governance statement has been prepared using the suggested pro-forma issued by the Scottish Government in its circular dated 10 December 2012. It reports that NHS Grampian is in compliance with the aspects of the Scottish Public Financial Manual which are set out within the guidance issued to Chief Executives and more generally to all board members by the Scottish Government Health Directorates as being applicable to NHS Boards.

We have reviewed the systems in place to ensure that there is sufficient evidence available to the Chief Executive to sign the Governance Statement, which includes a formal sign off by each Director and the Chair of each of the main Committees.

The statement notes that there have been no significant control weaknesses or failures to achieve the standards set out in the guidance on governance, risk management and control. This is consistent with our knowledge based on evidence collected in the course of the audit and from the work of internal audit during the year

The Board’s overall governance arrangements are satisfactory and appropriate:

- The established Committee Framework at the Board remains in place. Each of the Committees met regularly in the year.
- The Board continues to receive regular and detailed performance and financial information to facilitate effective scrutiny and challenge by members.
- A Risk Management Policy is in place, and the corporate risk register is supported by comprehensive risk registers within Directorates, Sectors and Services. These are reviewed by the Board and Management team on a regular basis.
- PricewaterhouseCoopers (PWC) have been re-appointed as internal auditors in 2013/14 following a competitive tender.

Significant observations on your Financial Statements

Critical accounting judgements and key sources of estimation uncertainty

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, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the accounting policies and estimates are discussed below.

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

- equal pay claims;
- pension provision;
- clinical and medical negligence provision;
- fair value of property, plant and equipment (PPE); and
- leases

We have assessed the 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. We have performed work as follows against each of these areas:

Equal pay claims – confirmed disclosure to advice from SGHSCD and CLO

Clinical and medical negligence provision – page 12

Leases – We have reviewed disclosure for both operating and finance leases, which is in line with prior year

Pensions provision – We have reviewed the disclosure which is in line with prior year.

Fair value of PPE – page 13

Significant observations on your Financial Statements

Consolidation of NHS Grampian Endowment Fund

Background

The 2013/14 Accounts Manual requires host boards to consolidate NHS endowment funds established by the *National Health Services (Scotland) Act 1978*, where material, into their financial statements. The Financial Reporting Advisory Board concluded in 2011 that endowment funds should be consolidated under IAS 27 *Consolidated and separate financial statements* but approved a derogation from the FReM that applied until 2012/13. These results do not, however, form part of the statutory financial targets set for the Board by the Scottish Government Health and Social Care Directorate and are therefore not taken into account when considering the Boards in year financial performance.

	2013/14		2012/13		1 April 2012	
	Board £ '000	Consol. £ '000	Board £ '000	Consol. £ '000	Board £ '000	Consol. £ '000
Net assets	472,460	515,054	443,744	483,645	433,091	467,991

We have reviewed the consolidated financial statements and confirmed the following:

- NHS Grampian have consolidated the results of NHS Grampian Endowment Funds, with comparative figures restated for 2012/13 as well as a restated opening Balance Sheet as at 1 April 2012.
- All accounting policies have been aligned.
- All intragroup transactions have been eliminated on consolidation.

The main impact on consolidation is an increase in net assets of circa £40 million. This is due to investment balances held by the Endowment Fund, which are managed by the Fund in accordance with the objectives of the charity.

Deloitte view

From our audit procedures, we are satisfied that NHS Grampian Endowment Funds has been appropriately consolidated and disclosed in the Board financial statements.

Significant observations on your Financial Statements (continued)

NHS Superannuation scheme

NHS Grampian participates in the NHS Superannuation Scheme for Scotland, which is a multi-employer scheme, where the share of the assets and liabilities applicable to each employer is not identified. This is therefore accounted for on a defined contribution basis as permitted by IAS 19.

Following national guidance from the Scottish Government, Note 22 of the accounts 'Pension Costs' reflects a Scotland-wide net liability arising from the most recent actuarial valuation for the year 31 March 2004. A more recent actuarial valuation was carried out at 31 March 2008, however, the publication of this valuation was placed on hold by HM Treasury pending the outcome of public sector pension reforms.

Periodic actuarial valuations are key to determining the adequacy of employer and employee contributions to the Scheme.

Given that the Scheme ought to be subject to a full valuation every five years, a more up to date valuation would have been expected to have been reflected in the 2013/14 accounts.

Normal employer contributions paid in 2013/14: £48.390 million.

We have reviewed the disclosures within the accounts against the FReM noting that it includes the NHS Superannuation Scheme as a multi employer public sector pension scheme and as such should be accounted 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.

Best value, use of resources and
performance

Best value, use of resources and performance

Financial performance

NHS Grampian budgeted a breakeven position for the year to 31 March 2014. The final out-turn was a surplus against the core revenue resource limit of £35,000 which added to the brought forward surplus from the previous year resulted in a net surplus against revenue resource limit of £116,000.

	2013/14 Recurring £'000	2013/14 Non-recurring £'000	2013/14 Total £'000	2014/15 Total £'000
Income	992,025	36,274	1,028,299	1,034,690
Expenditure	1,011,562	39,033	1,050,595	1,052,680
Savings	21,775	637	22,412	17,990
Surplus/ (deficit)	2,238	(2,122)	116	Nil

A number of Sectors have reported an underspend/ overspend during the year. The most significant of these are summarised below:

- **Acute Sector** – overspend by £8.4 million. Pay budgets were overspent due to a number of staff groups operating at levels that were above establishment. Non-pay budgets were seriously overspent due to cost reduction targets not being achieved.
- **GP Prescribing** – underspend by £1.2 million due to lower volume growth than was built into the budget.
- **Non Clinical Services** - underspend by £1.8 million, due to a combination of reduced recruitment and advertising costs, staff vacancies, over recovery of income for providing services to other Health Boards, and VAT recoveries.
- **Services outwith Grampian** – overspend of £2.2 million due to a combination of a continuing high level of very expensive placements for Grampian residents in secure accommodation outwith Grampian; a high level of referrals for specialist services, including a number of cases where referrals were due to Consultant vacancies in Grampian; and under recovery of income reflecting a general reduction in referrals from other Health Boards.
- **Earmarked funding and in year provisions** – underspend by £7.7 million, reflecting slippage on earmarked funding received from the Scottish Government during the year (including the allocation for the Change Fund) and also lower than expected commitments against some provisions.

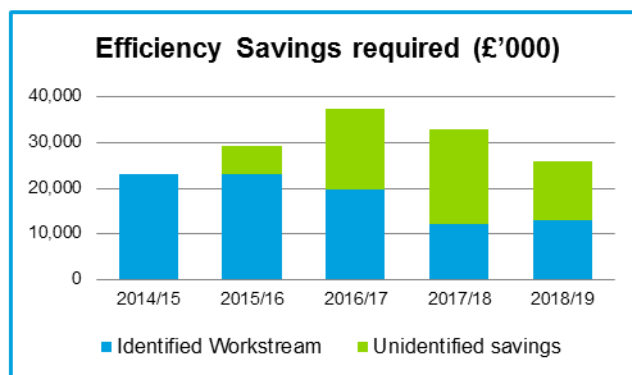
Best value, use of resources and performance (continued)

Financial outlook

The 2014/15 revenue budget and capital programme were agreed by the Board on 4 April 2014. The budget outlines how NHS Grampian will meet its key revenue targets over the next 5 years, and in doing so, it must achieve recurring cost reductions/productivity improvements in each of these years, which the Board recognises will be challenging. The value of saving is shown below.

The base funding uplift, plus the additional move to NHS Scotland Resource Allocation Committee (NRAC) parity amounts to a £36.8 million funding increase in comparison with 2013/14. This is offset by additional cost pressures of £33.8 million and targeted investment of £14 million. The targeted investments are in line with national health priorities and/ or local priorities.

2014/15 Cost Commitments	£'000
Pay and non-pay uplifts	12,400
GP and Hospital Drugs	7,600
Targeting cost pressure funding	8,000
Infrastructure and depreciation	2,000
Other (including contingency)	3,800
Total	33,800



2014/15 Targeted Investment	£'000
Waiting times	8,000
Cancer oncology	1,200
Research and development	1,400
Other	3,400
Total	14,000

The total 2014/15 infrastructure and backlog maintenance budget has been set at £34.473 million. This includes £16.126 million in relation to backlog maintenance and £9.6 million on investment in the Woodside Health Centre and Forres Health and Care Centre Hub schemes.

Best value, use of resources and performance (continued)

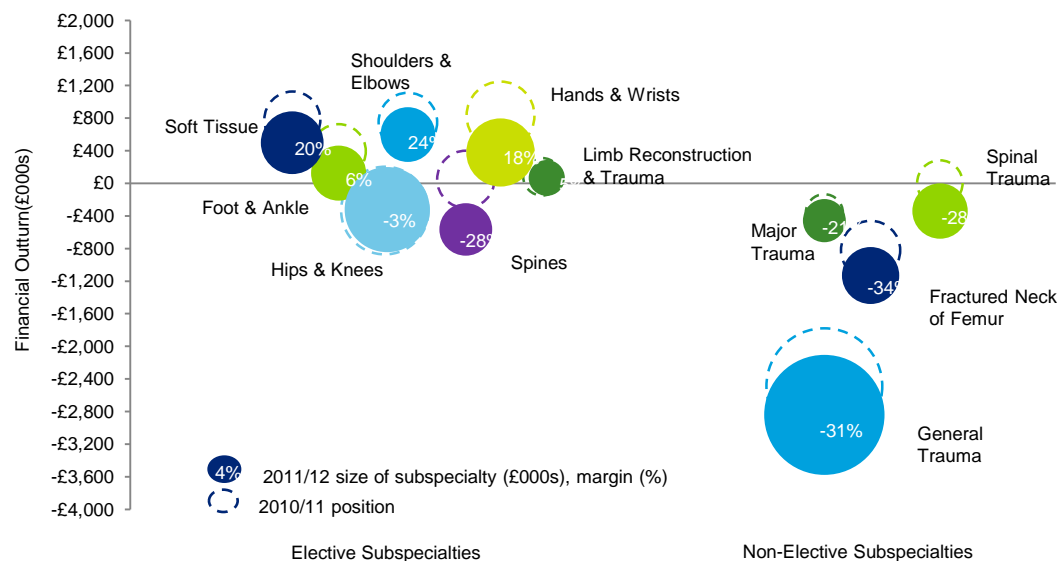
Financial outlook (continued)

As noted on page 25, the Acute Sector reported an overspend of £8.4 million, which is consistent with previous years. Management have noted that the Acute Sector still presents the largest risk to NHS Grampian's overall financial performance. The Acute Sector will be expected to prepare a robust cost reduction plan for 2014/15 in order to recover the financial position. We have included below some lessons learned and approaches that have been successful elsewhere within the NHS. We would recommend that NHS Grampian consider these in developing their cost reduction plans for future years.

From our work elsewhere, the best results are achieved if clinicians are fully engaged and bought into the process

Transforming services is difficult because many of the required changes impact upon clinical roles and responsibilities, and how staff go about their day to day business. Owing to a range of factors, clinical staff like anyone else find it difficult to change, even if they are uncomfortable or frustrated with the way services are organised and delivered. In our experience, one of the most important factors to addressing this is to establish a clear need for change. We believe that clinicians in particular are very 'input-output' people: they **want to understand the business economics behind the change** and are often so busy with delivering day to day services they do not consider how current practice impacts upon financial performance.

Our experience of acute costs reduction programmes in England suggest that developing a planning tool (using patient level costing information and service line reporting data) could help show how clinical performance drives financial performance and why there is a need for change to help deliver cost reduction targets. **These have helped clinical teams and consultants to understand how they can improve performance rather than presenting them with a financial problem.** The screen shot illustrate an example of a planning tool which is used to illustrate how small changes in clinical performance (such as length of stay, theatre utilisation, day case rates) can dramatically improve resource use and save money.



Best value, use of resources and performance

Other issues

Health and Social Care integration

We have undertaken a review of the current arrangements and plan in place to develop the Health and Social Care Partnership with the three constituent Councils. This work has been done by utilising the BV Toolkit “Effective Partnership working” and sharing of good practice identified across the sector. The output from this review will be reported separately to the Audit Committee in September 2014.

While some of this is still at an early stage, there is a clear commitment from all parties and plans are being developed to allow implementation

Planning and Resource Alignment

Our 2011/12 BV Toolkit review assessed the Board’s arrangement for outcome based planning. Some areas were noted for management consideration, which were to be considered as more medium to long term actions. We have followed up the agreed actions from this report and noted the following progress:

- Services continue to develop their own 2020 visions, aligned to the ambitions in Healthfit 2020.
- Zero-based budgeting approach to the nursing budget has progressed during 2013/14. The outcome of this process is expected to bring the budget and actual spend levels for nursing staff costs closer together. Work on medical supply costs was completed and adjustments made to the 2014/15 budget allocation.
- The national costing group has been testing and evaluating the preferred single costing. This work is ongoing and a decision is due to be made by September 2014 as to the implementation and use of a single costing methodology for NHS Scotland. This will enable NHS Grampian to consider further development of its use of the Integrated Resource Framework and progress towards outcome based budgeting.

Progress continues to be made on each of the recommendations made.

Best value, use of resources and performance

Other issues

Efficiency

Our 2012/13 BV Toolkit on efficiency focussed on the community health services across each of the Community Health Partnerships. We have follow up the agreed actions from this report and noted the following progress:

- NHS Grampian is planning to re-launch the releasing time to care programme as a priority within the new Health and Social Care Partnerships. As an interim measure it has undertaken a number of supporting activities, including a pan Grampian review of Health Visiting and a review of community based nurse staffing , in parallel with an evaluation of the role of community hospitals in supporting care in the community.
- A process for collecting patient contact data more regularly is being considered as a tool to improve efficiency, however, the current a lack of an effective data platform for community based staff is a key limiting factor.
- As part of the due diligence for health and social care integration, NHS Grampian will be developing strategic plans to evidence how it proposes to meet increasing demand from within available resources.
- A programme and timetable for the current year savings is under further review and is expected to be finalised by the end of July. Each sector has an interim plan which requires to be further developed.

Progress continues to be made
on each of the
recommendations made.

Best value, use of resources and performance (continued)

National Fraud Initiative

We are required to monitor boards' participation in the NFI exercise during 2012/13 and into 2013/14. Audit Scotland's national report is to be published in late June 2014 in relation to the 2012/13 exercise. From our audit work we have noted the following:

Leadership and commitment:

- NHS Grampian is committed to NFI. Head of Service (HR Service Centre) continued to take lead role on payroll matches and Assistant Director of Finance took the lead for creditors, which was new to the 2012/13 process.
- Fraud (including NFI) is a regular item on the Audit Committee agenda.
- The updated Fraud Policy is currently in draft and out for consultation.

Planning:

- All data was submitted on time via NSS.

Effective follow-up of matches:

- Due to other commitments, work did not commence on reviewing the matches until June/ July 2013. However, since then, good progress has been made and all recommended matches have been reviewed.

Recording and reporting:

- The payroll data was continually updated.
- Due to the volume of data in the Creditors matches, this was reviewed outwith system. However, all results have now been recorded in the system.

As at 31 May 2014, no frauds have been identified in either the 2010/11 or 2012/13 exercises

Insights - risk management and internal control

Insights - risk management and internal control

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:

Significant Risk	Control
Core expenditure resource limits	<p>Monthly monitoring is performed against SGHSCD financial targets.</p> <p>We have reviewed the financial monitoring reports during 2013/14 confirming that this is monitored and reviewed on a regular basis. A projected overspend against the revenue resource limit has been reported during the year, reducing as the year progressed and savings plans became effective. The small underspend was achieved through close monitoring by the Budget Steering Group.</p>
Clinical & medical negligence provision	<p>Provisions are based on information provided by external sources and reviewed by the finance team as part of the final accounts process.</p> <p>We have reviewed the final accounts process and confirmed that the finance team has a clear understanding of the provisions and the associated assumptions used and have obtained and used the information provided by a third party.</p>
Property, plant and equipment valuation	<p>A rolling programme of external valuations has been performed by the District Valuer. Journals are processed by finance staff based on information received, which is then reviewed as part of the final accounts process.</p> <p>We have reviewed the final accounts process and confirmed that the data from the District Valuer has been used.</p>

Insights - risk management and internal control (continued)

Key controls over significant risks

Significant Risk	Control
Management override of controls	<p>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 reports.</p> <p>We have tested a sample of journal entries posted in the year and confirmed the appropriateness of the journals posted including approval. We have also reviewed the financial monitoring reports for 2013/14 confirming that they are monitored and reviewed on a regular basis.</p>
Revenue recognition – completeness of other income	<p>All income from other Boards is confirmed via SFR 30, with sign off obtained from each Board to confirm inter-NHS balances.</p> <p>We have confirmed that all inter-NHS income has been confirmed via the SFR30.</p>
HubCo Project	<p>Valuation of asset provided by the District Valuer. All accounting entries based on agreed project document. Journals are processed by finance staff based on agreed project document, which is then reviewed as part of the final accounts process.</p> <p>We have reviewed the final accounts process and confirmed that the data from the District Valuer and the signed project document has been used.</p>

Risk management and internal control

Internal Control observations

We performed follow-up work on our prior year risk management and internal control observations. The key results of this work are outlined below:

Area	Issue raised in 2012/13	Results of 2013/14 follow up	Status
Untaken Annual Leave	The methodology applied to calculate the untaken annual leave accrual should be reviewed to identify a more robust method of identifying all untaken annual leave at 31 March.	NHS Grampian has reviewed the methodology applied, and concluded that the current approach is the most pragmatic way to calculate the accrual. As there are no significant movements year on year, this does not impact on the Board's achievement of its expenditure limits.	Issue fully addressed
Journal entries	Journals processed to correct errors should be reviewed to allow the cause of such errors to be identified and control around processing to prevent such errors be amended accordingly.	A review was undertaken and a best practice working group has been set up, lead by the Technical Accountant.	Issue fully addressed
Payroll Notification of Termination Forms	All staff should be reminded to use the standard "Notification of Termination" form.	Management considered that adequate internal controls exist to ensure that the full data set is available to support terminations processed through the payroll system. No further follow up performed.	Issue fully addressed

Risk management and internal control (continued)

Internal Control observations

We performed follow-up work on our prior year risk management and internal control observations. The key results of this work are outlined below:

Area	Issue raised in 2012/13	Results of 2013/14 follow up	Status
Fraud Policy	The fraud policy should be updated to reflect current working practices, with reference also made to the NFI exercise.	The updated fraud policy is currently out for consultation prior to being formally adopted.	Issue fully addressed

Key

Issue fully addressed and resolved

Issue addressed with some further improvements required

Issue not appropriately addressed

Internal audit and control

Our reliance on the work of internal was in line with plan

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and adjusted our audit approach as deemed appropriate. The results of this were:

For those areas where a significant risk was identified we performed all work ourselves

No issues were identified with the work performed by internal audit

We placed reliance on the work of the internal auditors in relation to key financial controls, with specific reliance on expenditure controls, as well as their work on the annual governance statement. We have reviewed the working papers of internal audit in relation to expenditure controls to ensure that it has covered all key controls and have re-performed a sample of testing, with no issues noted.

From 2014/15, ISA 610, “using the work of internal audit”, specifies that the use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor is now prohibited. This should have no impact on the work we currently place reliance on.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report
- Our internal control observations
- Other insights we have identified from our audit and in following our audit plan, Audit Quality Promise and Insight Plan

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated to you on 4 December 2013.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants

Edinburgh
17 June 2014

This report has been prepared for the Board, 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Purpose of our report and responsibility statement

Responsibilities

Management responsibility

It is the responsibility of the Board and the Chief Executive, as Accountable Officer, to prepare the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made there under. This means:

- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements timeously which give a true and fair view of the financial position of the Board and its expenditure and income for the period ended 31 March 2014; and
- preparing a Directors' Report, a Strategic Report, a Governance Statement and a Remuneration Report.

Auditor's responsibilities

We audit the financial statements and the part of the Remuneration Report to be audited and give an opinion on:

- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- whether the information which comprises the annual report included with the financial statements is consistent with the financial statements; and
- whether expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).

Appendix 1: Audit adjustments and disclosure misstatements

Audit adjustments : Unadjusted misstatements

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report:

		Credit/ (charge) to current year SOCNE £'000	Increase/ (decrease) in taxpayers' equity £'000	Increase/ (decrease) in prior year taxpayers' equity £'000
Valuation of Huntly Dental Centre	[1]	(6)	(241)	Nil
Prescribing accrual	[2]	225	225	Nil
Other FHS accruals – non-discretionary funding	[3]	Nil	Nil	Nil
Total		219	16	Nil

We will obtain written representations from the Board Members confirming that after considering all uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments are required.

[1] The valuation provided in the final reports for Huntly Health Centre was overstated as the value for the Huntly Dental Centre has been overstated. This has resulted in asset being overstated by £241,000. An adjustment of £235,000 is against the Revaluation Reserve, with an impairment of £6,000 to the SOCNE.

[2] Prescribing accrual - In line with previous years, due to the timing of receipt of data on expenditure relating to prescription costs, a difference of £0.225 million was noted between the amount accrued and the actual expenditure incurred.

[3] Other FHS Accruals, including Ophthalmic accrual – Similarly to [2], due to timing of receipt of data, a further difference was noted of £124,000, mainly relating to ophthalmic services expenditure. As this expenditure receives non-discretionary funding, there is a corresponding difference in the income, therefore the net effect is nil.

As stated in our audit plan, we only report to you uncorrected misstatements that are not clearly trivial, i.e. greater than £82,000.

Audit adjustments : Unadjusted misstatements detail

Corrected misstatements

There have been no corrected misstatements noted during the process of our audit work.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

Appendix 2: Independence and fees

Independence and fees

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:

Independence confirmation	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.
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Fees	The audit fee for the year has been agreed at £267,000 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland.
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Non-audit services	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.
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There were no non audit services fees charged in relation to Deloitte in the period from 1 April 2013 to 31 March 2014.

Relationships	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.
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We are not aware of any relationships which are required to be disclosed.

Appendix 3: Fraud considerations

Appendix 3: Fraud considerations

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.
- We are aware that management has the following processes in place in relation to the prevention and detection of fraud:
 - There is a Fraud Policy in place, which gives advice to staff on their role in the prevention of fraud and establishes NHS Grampians procedures for prevention, detection and investigation of fraud. This is fully communicated to all staff and regular training is provided
 - Routine checks and monitoring are carried out by management to ensure that procedures are being followed. Both Internal and External Audit are seen as having an important role to play.
 - An Annual Return is submitted to the Scottish Government of all suspected and actual frauds.

Responsibilities

Your responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities

- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

Appropriate arrangements are in place for maintaining standards of conduct and the prevention and detection of corruption.

Appendix 4: Action Plan

Appendix 4 - Action Plan

Our recommendations for improvement

Area	Recommendation	Management response
<p>BCIS build cost indices</p>	<p>We would recommend that there continued dialogue between the DV and NHS Grampian on this issue. If build costs are not adjusted to reflect the BCIS' Grampian Location Factor, the DV should support this approach by evidencing analysis of actual build costs for projects in the Grampian area, which justify the adoption of a higher national rate.</p>	<p>Agreement and corresponding justification of the valuation methodology is the subject of ongoing review between NHS Grampian's Property and asset management team, our finance team and the District Valuer. We will ensure, moving forward, that all decisions are appropriately documented with written evidence justifying the approach.</p> <p>Responsible person: Assistant Director of Finance Date: 31 March 2015</p>
<p>Modern Equivalent Asset (MEA)</p>	<p>We consider that NHS Grampian needs to have a continued ongoing dialogue with the DV on this issue as the valuations should take account of all MEA considerations including the size of a modern NHS Grampian estate</p>	<p>See comment above.</p> <p>Responsible person: Assistant Director of Finance Date: 31 March 2015</p>
<p>Assessing effectiveness of external audit process</p>	<p>The UK Code of Governance requires a statement in the Report of the Audit Committee in the annual report about how the audit committee has assessed the effectiveness of the external audit process. The assessment would be timed in the audit cycle to be performed after an audit is concluded.</p> <p>While this is not yet a requirement for Scottish NHS Boards, we recommend that this is something that the Board consider as good practice.</p>	<p>This will be discussed at the Audit Committee meeting in September 2014.</p> <p>Responsible person: Assistant Director of Finance Date: 30 September 2014.</p>

Appendix 5: Representation letter

Representation letter

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

Our Ref: NHSG/2014

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 Grampian for the year ended 31 March 2014 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 Grampian as of 31 March 2014 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 Accountable 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.

Representation letter (continued)

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"*.
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. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.
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. With respect to the revaluation of properties in accordance with the FReM:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

Representation letter (continued)

10. 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

11. 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.

12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

13. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

14. 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.

15. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects NHS Grampian 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.

16. 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.

Representation letter (continued)

17. We are not aware of any actual or possible instances of non-compliance with laws and regulations.

18. 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.

19. We are satisfied that the provisions made for clinical and medical negligence claims is complete based on advice from the Central Legal Office.

20. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

22. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

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 Accountable Officer, and on behalf of the Board of Directors

Appendix 6: Future developments

Appendix 6: Future developments

Information on NHS developments



NHS Briefings

We regularly publish NHS Briefings designed to disseminate our insights on topical issues within the NHS in general. They focus on current issues facing the sector and ask questions to help readers assess if the issue is being appropriately addressed at their Board.

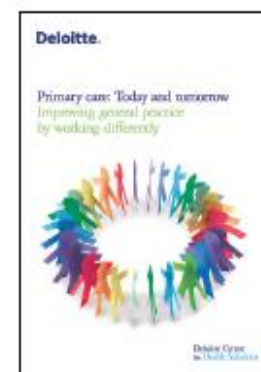
Briefings have covered a range of topics including Effective Boards, the Evolving Role of Governors, Narrative Reporting, Quality Accounts requirements, Human Resources, Mergers & Acquisitions in the NHS and Transforming Community Services.

Deloitte UK Centre for 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.

Recent studies include “Impact of European Austerity on Pharmaceutical policy and pricing”, “Telecare and Telehealth”, “Primary Care: Today and Tomorrow” and “Healthcare for the Homeless”. The Centre’s blog is at <http://blogs.deloitte.co.uk/health/> and upcoming studies include:

- The economic case for improving diagnostics in the UK
- Measuring the return from (pharma) innovation - is R&D earning its investment?
- Health and social care needs of the frail and elderly
- End of life care



Appendix 6: Future developments (continued)

Additional information on current and future technical developments

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.

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 round up of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

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. Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

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>



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