

NHS Greater Glasgow and Clyde

2017/18 Annual Audit Report



 AUDIT SCOTLAND

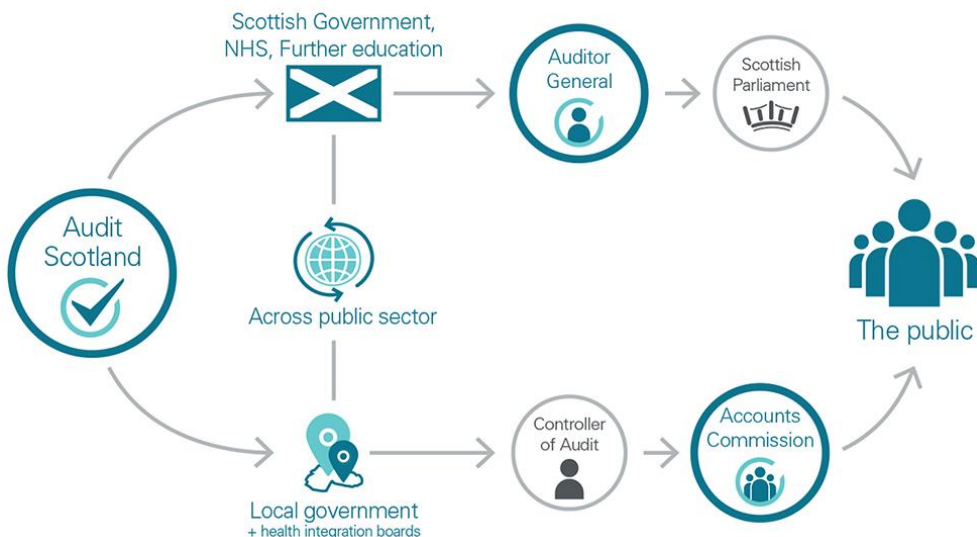
Prepared for the Board of NHS Greater Glasgow and Clyde and the Auditor General for Scotland

28 June 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual report and accounts

- 1 In our opinion: NHS Greater Glasgow and Clyde's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable enactments and guidance; and the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Financial management

- 2 NHS Greater Glasgow and Clyde has effective arrangements in place for managing its finances and the use of resources. NHS Greater Glasgow and Clyde met all its financial targets for 2017/18 and achieved an underspend of £0.266 million against its revenue resource limit.

Financial sustainability

- 3 We concluded that NHS Greater Glasgow and Clyde has adequate financial management arrangements in place. The Board achieved financial balance in 2017/18 although the delivery of this position was achieved by a number of in-year arrangements that included a late allocation of funding from Scottish Government, a transfer of allocated funding from capital to revenue and the use of non-recurring sources. The board therefore continues to face an extremely challenging position in future and opened the 2018/19 financial year with savings requirements brought forward of £67.8 million. The 2018/19 financial plan projects a funding gap of between £25 million and £30 million.
- 4 Efficiency savings will be crucial to maintaining financial balance over the medium term. The Board's substantial reliance on non-recurring sources in 2017/18 (£70.1 million) is noted above and it has already identified that it will need to rely on a similar level of non-recurring sources to deliver a balanced financial position in 2018/19.

Governance and transparency

- 5 NHS Greater Glasgow and Clyde has appropriate governance arrangements in place that support scrutiny of decisions made by the board. Transparency could be improved by holding all committee meetings in public although recognising that sensitive or confidential items could be dealt with in a private session.

Value for money

- 6 NHS Greater Glasgow and Clyde has an effective performance management framework in place which supports continuous improvement. However, the board continues to struggle to meet key national performance targets.

Introduction

1. This report summarises the findings from our 2017/18 audit of Greater Glasgow Health Board, commonly known as NHS Greater Glasgow and Clyde (or NHSGGC).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 12/12/17 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the board's annual report and accounts
- consideration of the wider dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:

- a review the board's main financial systems
- an audit of the board's 2017/18 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. NHS Greater Glasgow and Clyde has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report

and accounts that are in accordance with the accounts direction from Scottish Ministers. The board's annual report and accounts includes the following:

- Performance Report
- Accountability Report (which includes the Directors' Report, Governance Statement and Remuneration and Staff Report)
- Financial statements and supporting notes.

5. The board is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor is established by the Public Finance and Accountability (Scotland) Act 2000 and [the Code of Audit Practice \(2016\)](#), and guided by the auditing profession's ethical guidance.

7. As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the effectiveness of the board's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

8. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £392k, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to NHS Greater Glasgow and Clyde by providing insight and foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the board promote improved standards of governance, better management and decision making and more effective use of resources.

12. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

NHS Greater Glasgow and Clyde's financial statements give a true and fair view and were properly prepared.

Expenditure and income were in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 26 June 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified opinion on regularity of expenditure and income
- the audited part of the remuneration and staff report performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

The board's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

15. We received the unaudited annual report and accounts on 14 May 2018, in line with our agreed audit timetable. The board's group accounts included the financial results of the Endowment Fund and Integration Joint Boards (IJBs) within its area.

16. The working papers provided were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

17. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed. Also included within the appendix are wider dimension risks.

Materiality

18. Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual report and accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

20. On receipt of the annual report and accounts we reviewed our planning materiality calculations and concluded that both overall and performance materiality would increase marginally. Overall materiality was calculated as £32.17 million at the planning stage but increased to £32.8m on receipt of the accounts. Similarly, performance materiality was calculated as £16.1 million at the planning stage, increasing to £16.4 million on receipt of the accounts. These changes did not result in our planned audit approach altering.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£32.8 million
Performance materiality	£16.4 million
Reporting threshold	£100 thousand

Source: NHS Greater Glasgow and Clyde Annual Audit Plan 2017/18

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. Adjusting errors totalled £32.093 million however as these mainly related to classification errors within the notes to the accounts the impact of these adjustments would be an increase in net operating costs of £0.041million and a corresponding reduction in net assets. A number of other mis-statements, including FHS accruals as detailed in Appendix 3 were identified which were not processed through the financial statements and these have been classified as unadjusted errors. The table at Appendix 3 reflects the late emerging adjustment of £2.7million relating to one IJB which was identified on 25 June.

22. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management do not propose to adjust for the items above as the amounts are not considered material in the context of the financial statements.

Significant findings from the audit in accordance with ISA 260

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to



management, a cross reference to the Action Plan in [Appendix 1](#) has been included.


24. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- | | |
|---|---|
| • Accounting policies | • Accounting estimates and judgements |
| • Significant financial statements disclosures | • Timing of transactions and the period in which they are recorded |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements |
| • Misstatements in the annual report and accounts | • Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Integrated Joint Board</p> <p>Finance staff did not receive all of the unaudited IJB accounts by the required timescale. One IJB did not provide auditable figures for incorporation in to the NHS Greater Glasgow and Clyde group accounts until 11 June 2018. Due to the late receipt of this information audit work is still ongoing.</p>	<p>Arrangements should be agreed well in advance with the six IJBs to ensure the flow of information will facilitate the timely certification of NHSGGC accounts.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2. Road Traffic Accident</p> <p>As reported in 2016/17, updated guidance was issued regarding the Injury Cost Recovery Scheme. The Cost Recovery Unit (CRU) within the Department for Work and Pensions pursues claims on the Health Board's behalf against insurance providers of drivers where an accident has resulted in treatment by the board. The board provides details of the treatment a patient receives and the Cost Recovery Unit calculate how much is due based on 'tariff rates'.</p> <p>The guidance stipulates that an accrual of income should be included within the NHS accounts from the point at which details are processed. A corresponding bad debt provision should be established to recognise the possibility of rebuttal of claim or non-payment.</p> <p>The board have recognised an accrual of income during 2017/18 of £3.4 million, however this is an estimate based on cash received for the last 3 months of 2017/18 rather than claims made. Furthermore, no bad debt provision or bad debt write off has been calculated although this is recommended by the guidance. The amount of the RTA income accrual, therefore, may be mis-stated in the accounts but, particularly in light of our materiality threshold at Exhibit 2, we do not believe this would be material.</p>	<p>The board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>

Finding	Resolution
<p>3. Debt write offs</p> <p>It is normal practice for the board to write off debts which are deemed irrecoverable. Our review of the bad debt provision highlighted a number of debts over three years old and there were also debts relating to overseas patients. We have been informed that some of the overseas patient debt will be written off in 2018/19 but this area should be reviewed annually.</p>	<p>The board should undertake an annual review of debts deemed to be irrecoverable and write off as appropriate.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>

Source: 2017/18 Audit of NHS Greater Glasgow and Clyde

Good practice in financial reporting

25. The annual report and accounts reflect good practice as set out in Audit Scotland good practice notes.

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

27. In total, 7 agreed actions were raised in 2016/17. Of these:

- 4 have been fully implemented
- 3 are not actioned or have only partly been actioned
- One of the action points assessed as being fully implemented relates to the savings target. The board achieved their savings target within 2017/18 through a combination of savings identified in plans and non-recurring support. However, given the financial challenges still facing the board this risk will continue.

28. Overall the board has made progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#)

Part 2

Financial management



Main judgements

NHS Greater Glasgow and Clyde has effective financial management arrangements in place.

NHS Greater Glasgow and Clyde has adequate systems of internal control in place during the year and these were appropriate and operated effectively.

Financial performance in 2017/18

29. NHS Greater Glasgow and Clyde, as required by statute, has to work within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) annually. As illustrated in [Exhibit 4](#), the board operated within all limits during 2017/18.

Exhibit 4

Performance against resource limits in 2017/18

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	2,349.448	2,349.223	0.225
Non-core revenue resource limit	99.646	99.646	0
Total revenue resource limit	2,449.094	2,448.869	0.225
Core capital resource limit	46.264	46.260	0.004
Non-core capital resource limit	27.571	27.571	0
Total capital resource limit	73.835	73.831	0.004
Cash requirement	2,601.825	2,601.828	(3)

Source: NHS Greater Glasgow and Clyde's Annual Report and Accounts 2017/18

Underspend against Revenue Resource Limit (RRL)

30. NHS Greater Glasgow and Clyde recorded an underspend of £0.225 million against its 2017/18 revenue resource limit of £2,449.094 million. This outturn position is positive when considered in the context of the 2017/18 Local Delivery Plan (LDP) which had forecast a funding gap of £18.5 million. However, a number of specific in-year arrangements contributed to its achievement.

31. The financial position and projections were closely monitored by senior staff and reported to the Finance and Planning Committee throughout the year. The board was able to close its forecast financial gap through a range of management actions, additional financial support from the Scottish Government and continued reliance on substantial non-recurring funds. The financial support was provided by Scottish Government in recognition of the unfunded beds which NHS Greater Glasgow and Clyde has operated over a number of years. Discussions between the board and Scottish Government culminated in March 2018 when an allocation of £8 million was agreed. The board would not have operated within its Revenue Resource Limit (RRL) without this late allocation.

32. The board also relied on a number of short term measures and emerging outturns during 2017/18 to achieve financial balance including land sales, release of accruals, an underspend against budgeted capital charges and lower than budgeted CNORIS costs. This approach is not sustainable and will make it difficult for the board to plan and invest in long term policy aims. In future, the board will find it extremely challenging to maintain financial balance and there is a real risk that financial targets in 2018/19 will not be achieved.

Capital Resource Limit (CRL)

33. NHS Greater Glasgow and Clyde received a total capital allocation of £73.835 million in 2017/18. This was made up of £46.26 million core allocation which was underspent by £4k and £27.571 million of non-core allocation.

34. The capital allocation was spent on a number of building refurbishment programmes and capital investment continued on the programme to regenerate the Queen Elizabeth University Hospital site. There was agreement from Scottish Government during the year to transfer £10 million of capital funding to revenue. This transfer was agreed to optimise the year end capital and revenue outturn positions but it also represents one of the short-term measures used to achieve financial balance referred to in paragraph 32 above.

Efficiency savings

35. NHS Greater Glasgow and Clyde was required to make efficiency savings of £122.4 million. This proved to be challenging for the board and this target was only achieved through the utilisation of non-recurring funding and financial support from the Scottish Government.

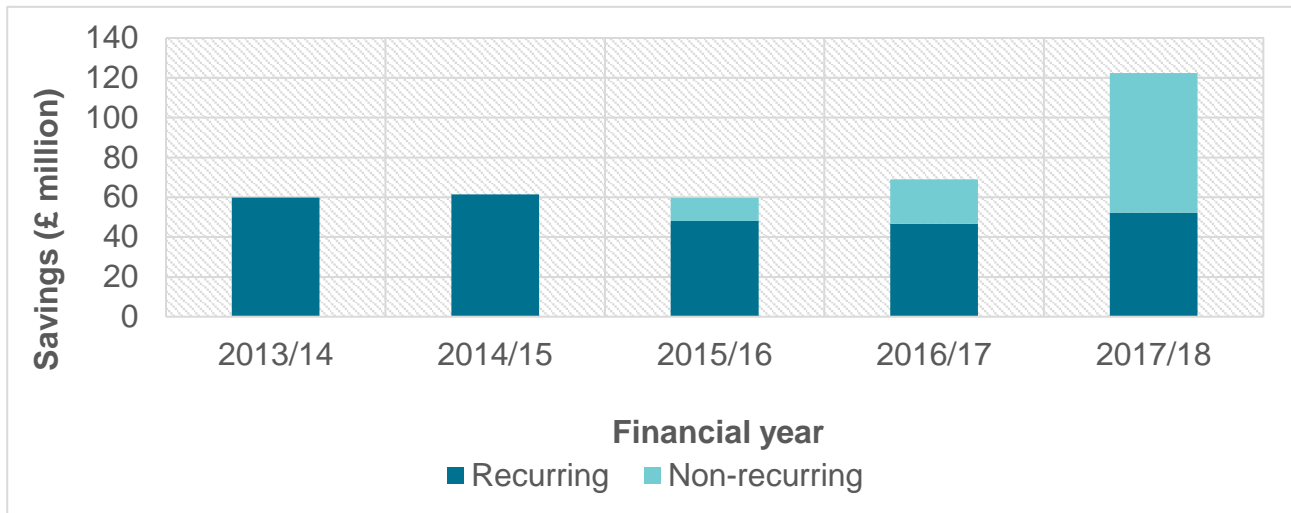
36. 42.7% of savings were achieved on a recurring basis with the remainder on a non-recurring basis (57.3%). Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

37. As illustrated in [Exhibit 5](#), NHS Greater Glasgow and Clyde has been increasingly reliant on non-recurrent savings in recent years. In our opinion, this situation is not sustainable for the board in the longer term.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Exhibit 5

Savings – recurring and non-recurring



Source: NHS Greater Glasgow and Clyde's Annual Report and Accounts 2013/14 – 2017/18

Funding allocations

38. NHS bodies receive allocation letters throughout the year outlining the funding they will receive. As part of our financial statements audit we reviewed the final allocation letter and selected a sample of specific allocations to review in more detail. Finance officers provided detailed explanations and supporting schedules to outline what the funding related to, the basis of the funding and how the allocated funds were utilised. From the allocations reviewed we are satisfied that funding allocations have been accounted for appropriately and within the correct financial year.

Budgetary processes

39. We reviewed NHS Greater Glasgow and Clyde's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we observed that senior management and members receive regular, timely and up to date financial information on the board's financial position.

40. We concluded that NHS Greater Glasgow and Clyde has appropriate budgetary monitoring and control arrangements that allow both members and officers to carry out scrutiny of the board's finances.

Systems of internal control

41. As part of our audit we identify and inspect the key internal controls in the accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that NHS Greater Glasgow and Clyde has sound systems of recording and processing transactions which provide the basis for the preparation of the financial statements.

42. Our findings were included in a management audit report presented to the Audit and Risk Committee on 13 March 2018. We concluded that the controls put in place by management are appropriate and operating effectively. No significant internal control weaknesses were identified during the audit which could affect NHS Greater Glasgow and Clyde's ability to record, process, summarise and report

financial and other relevant data which would result in a material misstatement in the financial statements.

ICT controls

43. We undertook an ICT health-check as part of the 2017/18 audit. This enabled us to review eHealth's control environment, ICT service delivery, business continuity measures and its approach to asset protection and installation management. Our review did not identify any areas of significant concern regarding the Board's approach to ICT governance.

Financial capacity

44. Overall the board has suitably qualified and experienced staff. However, it has experienced some staffing changes within the finance function over the past year. These changes impacted upon officers involved in the preparation of the financial statements and subsequent audit process. The board implemented temporary arrangements for the financial year 2017/18 which allowed for the completion of the audit. However, it will be necessary to review roles and structures and to ensure succession plan arrangements are in place within finance.



Recommendation 4

The board should continue to ensure that the finance function is sufficiently resourced with staff of appropriate experience, skills and knowledge.

Part 3

Financial sustainability



Main judgements

NHS Greater Glasgow and Clyde has appropriate and effective financial planning arrangements in place based on the Local Delivery Plan (and, from 2018/19, the Annual Delivery Plan).

NHS Greater Glasgow and Clyde achieved its savings target but required to rely on a high proportion of non-recurring funding and other adjustments. This will increase the risk of not achieving savings targets and maintain financial balance in the medium term.

In the medium to longer term there is considerable uncertainty on the board's financial position due to EU withdrawal and the impact of New Financial Powers on budgets. In the absence of scenario planning or longer term financial modelling the board will find it difficult to manage its finances effectively.

Financial planning

45. The Board approved its first Annual Delivery Plan (for 2018/19) in June 2018. It replaces the Local Delivery Plan (LDP) and has been developed in line with guidance received from the Scottish Government. The Plan is the performance contract between NHS Greater Glasgow and Clyde and the Scottish Government.

46. NHS Greater Glasgow and Clyde's Local Delivery Plan (LDP) for 2017/18 to 2021/22 sets out how the board's financial, workforce and services plans implement its strategic priorities. The 2017/18 financial plan included a high level financial outlook for the period 2017/18 – 2020/21 which takes into account anticipated funding and cost changes over the period, whereas the 2018/19 financial plan sets out savings requirements for 2018/19 only.

47. The board's 2018/19 financial plan forecasts a requirement to make efficiency savings of £93 million in year. Challenges remain regarding the board's delivery of several targets outlined within the Annual Delivery Plan. Additional resources will be required to meet the Board's aim of returning by March 2019 to the waiting times levels achieved at March 2017 and this has been communicated to the Scottish Government as part of the annual operational plan.

Financial sustainability looks forward to the medium and long term to consider whether the board is planning effectively to continue to deliver its services or the way in which they should be delivered.

New Financial Powers

48. Proposals have been made to amend the Scottish Budget process likely to be introduced for the 2019/20 budget. As the Scottish Government provides NHS Greater Glasgow and Clyde with nearly all of its funding it is dependent on the outcome of these proposals and has little scope to increase its funding from other means.

49. Overall, we concluded that the board is facing an extremely difficult situation in the short term. Rising costs, ending the public sector pay cap combined with small increases in funding and dependency on efficiency savings will make it difficult to

achieve financial balance. The 2018/19 budget reflects this and is projecting a deficit of £25 million to £30 million in 2018/19.

Medium to long term efficiency savings

50. As previously noted, NHS Greater Glasgow and Clyde achieved its efficiency savings target in 2017/18, albeit with £70.1 million being generated from non-recurring sources. The board started 2018/19 with an underlying recurring deficit of £67.8 million.

51. The board requires to make efficiency savings of £93 million in 2018/19, which is equivalent to 4.3% of the recurring baseline RRL in 2018/19. In previous years, directorates have been assigned a budget percentage efficiency target which is becoming increasingly difficult to achieve, which in part explains the large underlying recurrent deficit being carried forward.

52. The Executive Management Team have taken a number of actions to address the scale of the financial challenge and aim to achieve financial balance going forward. One key action identified has been the need for more organisation wide and centrally driven savings and efficiency initiatives. To facilitate this approach, the board has engaged external temporary expertise to drive a wider savings programme – the Financial Improvement Programme.

53. The Financial Improvement Programme is intended to be a comprehensive exercise to support the Board in achieving recurring financial balance in the future. A Programme Management Office has been established with a dedicated full time Programme Lead.



Recommendation 5

The board should ensure that savings plans are developed identifying how the £93 million of savings in 2018/19 will be achieved.

54. Neither the Annual Delivery Plan nor the board's Financial Plan sets out the savings requirements beyond 2018/19. The Board did prepare a 5 year scenario which contained basic indicative figures but the medium to longer term financial position is difficult to predict given the uncertainty around, for example, EU withdrawal and the arrival of new financial powers. The board needs to do more to plan for these events including scenario planning or modelling, together with identifying the necessary efficiency savings required to break even over the medium to longer term.

Recommendation 6

The board should prepare medium to longer term efficiency savings requirements based on its key financial assumptions about future funding and costs.

Workforce planning

55. In July 2017 the Auditor General for Scotland published a data briefing on Scotland's NHS Workforce Planning. It highlighted that NHS staff numbers are at their highest ever level, but there are key issues relating to the workforce. These include an ageing workforce, vacancy rates, increased spending on agency staff and sickness absence levels.

56. NHS Greater Glasgow and Clyde is facing a number of workforce challenges including the age profile of the workforce and recruitment for some specialities. As at 31 March 2017, 35.5% of the workforce was aged 50 or over. Within support

and administrative services staff aged over 55 represent 35% and 29% of the workforce respectively. Within Nursing and Midwifery 18% of staff are currently aged over 55, a 4% increase on the 2011 figure. The board's 2017/18 Workforce Plan recognises the risks and implications of an ageing workforce and sets out the plans for the future model of its workforce.

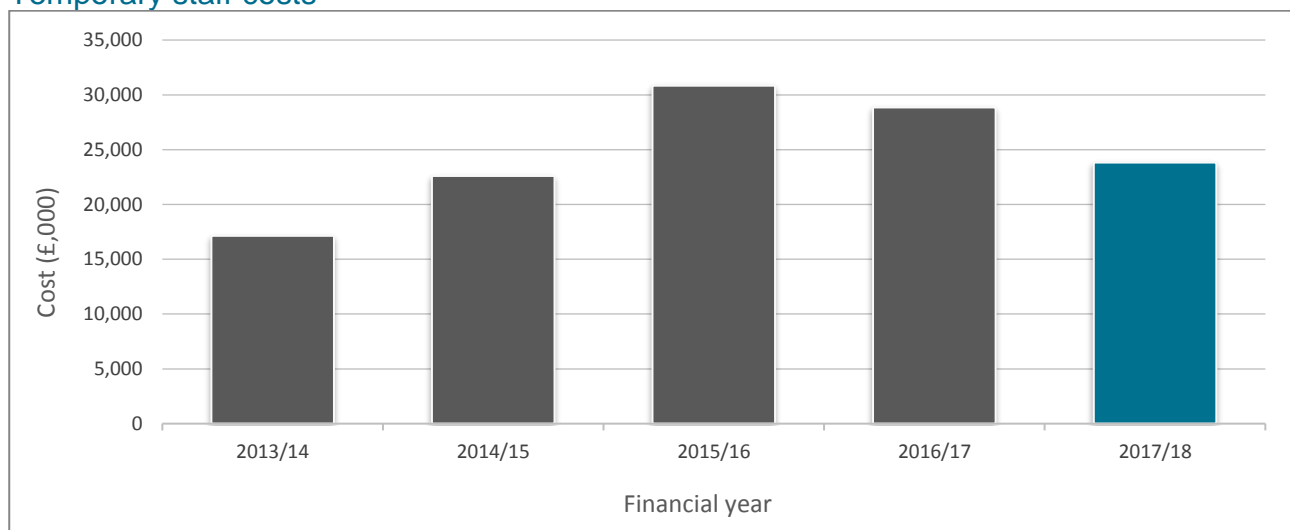
57. The Corporate Risk Register recognises a range of risks in relation to the current and future medical workforce. Over the next five years there will be challenges for the service with a number of senior medical staff projected to retire. By November 2017, 19.7% of the consultant workforce had reached the age of 55. When this is extrapolated to November 2021 over 33% of the current consultant establishment could have retired or be eligible to retire.

58. Taking this into consideration along with the difficulties in recruiting to senior medical posts and general turnover at consultant level, this may result in reduced senior medical cover or increased locum and agency spend to cover service gaps.

59. As a result of recruitment and retention problems and measures designed to meet waiting time targets, expenditure on temporary staff has been a significant financial pressure over the last five years as illustrated in Exhibit 7. Although temporary staff provide flexibility in the short term, it comes at a cost. The board have recorded a reduction in the cost of employing temporary staff for the second year, however, spending on temporary staff remains above 2013/14.

Exhibit 7

Temporary staff costs



Source: NHS Greater Glasgow and Clyde Annual Report and Accounts 2017/18

60. The board has established a number of cost containment actions to help reduce these costs. These include the establishment of a management contract to oversee the appointment of locums, a review of the most expensive locums and, where possible, action to secure permanent staffing arrangements as well as a focus in year on premium rate agency nursing.

61. NHS Greater Glasgow and Clyde, like most NHS boards, is continuing to experience difficulties in achieving the national performance standard of 4% for sickness absence despite measures to maximise attendance at work. The sickness absence rate for the rolling year to February 2018 was 5.5% compared to 5.8% for the comparable period last year.

Ending of public sector pay cap

62. The ending of the public sector pay target will make it more challenging to maintain financial balance. The payroll costs within 2018/19 are based on the public sector pay policy, with a forecast increase of 3% to most staff.

EU withdrawal

63. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

64. The board has acknowledged that there is a great deal of uncertainty around EU withdrawal and this makes it difficult to quantify the impact or outline the actions that need to be taken.

Part 4

Governance and transparency



Main judgements

NHS Greater Glasgow and Clyde has appropriate governance arrangements in place that support scrutiny of decisions made by the board.

NHS Greater Glasgow and Clyde is open and transparent in the way it conducts its business but with some scope for improvement.

Governance arrangements

- 65.** The board and accountable officer are responsible for establishing arrangements for ensuring the proper conduct of affairs at NHS Greater Glasgow and Clyde and for monitoring the adequacy of these arrangements.
- 66.** The Board has several standing committees. Throughout 2017/18 we reviewed a wide range of governance documents, minutes and agenda papers. We attended all Audit and Risk Committee meetings and we consider these operate effectively. We also regularly attended the Acute Services Committee and the Finance and Planning Committee. To further support our wider dimension audit work, we also attended some meetings of other standing committees.
- 67.** We observed a good level of scrutiny and challenge by members and it is evident that members are well prepared for meetings. A good working relationship exists between members and officers. Senior officers attend and present reports to all Board and committee meetings.
- 68.** Members have a structured board seminar programme covering key areas of interest and importance. Members can request any additional information they require to support them in their role and can also suggest future seminar topics.
- 69.** During the year, the governance arrangements were enhanced through a development whereby Standing Committee Chairs' provide an update to the Board on discussions and decisions made at their respective committees.
- 70.** We did however note some challenges around agenda management, volume of papers and issuing of late papers. We attended some meetings where early agenda items received more substantial time and scrutiny in comparison to items later the agenda.
- 71.** Overall, we concluded that the board has appropriate governance arrangements in place and these arrangements provide a framework for effective organisational decision making.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Transparency

- 72.** Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

73. There is evidence from many sources which demonstrate the board's commitment to transparency including the annual accountability review (where members of the public can attend) and board meetings are also open to the public.

74. Committee meetings are held in private but the minutes are publicly available on the board's website. We recommend that committee meetings are held in public with only sensitive or confidential items held in private session(s).

75. Overall, we concluded that the board conducts its business in an open and transparent manner but we believe that there are some areas where the board could improve current arrangements.

Risk management

76. We reviewed the risk management arrangements within the board to assess their effectiveness and appropriateness. Over the past year, risk management arrangements have continued to be strengthened. A notable development in the year was the appointment of an independent expert to the Risk Management Steering Group to advise the board on good practice arrangements.

Internal audit

77. The board's internal audit function for 2017/18 was carried out by PriceWaterhouse Coopers (PwC). We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has appropriate documentation standards and reporting procedures in place.

78. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we placed reliance on aspects of internal audit work in the areas of accounts payable, payroll and fixed assets. For the purposes of our wider dimension audit work we placed reliance on internal audit findings on areas including financial efficiency savings, premium rate agency use and cyber security maturity (phase 2).

79. In March of this year the Audit and Risk Committee approved changes to the original 2017/18 internal audit plan. The planned report on Scottish Medical Training review was postponed and removed from the internal audit plan as there was no agreed national framework in place against which to compare the Board's arrangements. Internal audit instead undertook a Financial Planning review which considered the methodologies applied by the board in developing its financial plans.

80. The June Audit and Risk committee received an update report from internal audit outlining the completion and conclusion of their planned audit work for 2017/18.

81. During 2018 the internal audit contract was put out to tender and was awarded to Scott Moncrieff for 2018/19 onwards.

Governance statement

82. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

83. A number of risks are set out in the governance statement. These include issues such as financial sustainability, delayed discharges and achievement of a range of elective waiting time targets and unscheduled care targets. The statement also summarises internal audit findings and key reports issued in the year. The overall conclusion of internal audit's annual report was that arrangements were 'generally satisfactory with some improvements required'.

84. Overall, we concluded that the Board has adequate arrangements in place to support good governance and accountability. Board members provide adequate scrutiny and challenge at regular bi-monthly meetings to ensure the Board's performance is effectively reviewed. We are satisfied that the information in the governance statement is consistent with information gathered during the course of our audit work.

Quality of financial and performance reporting

85. The board has standing agenda items for separate financial monitoring and integrated performance reports with appropriate standing committees receiving updates in the intervening months. Finance reports outline the current and projected financial position as well as highlighting financial challenges and pressures. Whilst performance reports note the status of key performance indicators they also focus on areas for improvement and outline actions being taken by the board to address performance issues.

National Fraud Initiative

86. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

87. NFI activity is summarised in [Exhibit 8](#). We submitted a follow up questionnaire to Audit Scotland in February 2018. This provides an update on the previous questionnaire and summarised our views on the board's arrangements for complying with the NFI exercise.

Exhibit 8

NFI activity



11,486

Matches



1,455

Recommended
for investigation



10,642

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

88. NHS Greater Glasgow and Clyde identified three frauds and one error from its review. The three frauds totalled £12k and arose as a result of changes in individual employees' circumstances. There is no recovery of these funds as the employees were appropriately paid for shifts worked prior to noticing changes in circumstances. The one error identified was for £3k and related to a duplicate invoice. Action has been taken to recover these funds.

89. We concluded that NHS Greater Glasgow and Clyde has shown commitment to the exercise and have investigated a significant number of non-recommended matches.

Standards of conduct for prevention and detection of fraud and error

90. The board has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

91. We concluded that the board has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention

Cyber security

92. In response to the increasing impact that cyber-attacks are having on public sector organisations, the Scottish Government issued their Public Sector Action Plan (PSAP) on Cyber Resilience in November 2017.

93. The PSAP requires all organisations to provide independent assurance about five critical network controls (stated in the plan), recommending Cyber Essentials (CE) Plus accreditation as the preferred option to provide this. During 2017/18 all organisations were expected to commission a CE Pre-assessment that would allow local management to make informed decisions about how this assurance would be achieved.

94. Cyber security improvement has been a key focus of NHSGGC over recent years. Prior to the publication of the PSAP, detailed review of cyber security maturity and effectiveness was included in the agreed 2017/18 IA plan. An initial report focusing on the technology aspects of cyber security concluded that although NHSGGC's infrastructure was complex, positive progress was being maintained with the board's technical cyber maturity assessed as good. Formal review of the recommendations in this initial report was completed later in the year and it concluded that the majority of the agreed actions were complete.

95. This focus on cyber security improvement proved to be beneficial when approaching the requirements of the PSAP. NHSGGC appointed NCC to perform the CE pre-assessment, directing them to consider the infrastructure as two distinct sections: the core (or corporate) network that supports acute service provision, and the extended network that supports General Practice. This approach has allowed CE accreditation to be achieved for the corporate network, whilst identifying that two of the five critical controls within the extended network require additional work. An agreed plan is in place and management are confident CE accreditation will be achieved for the full infrastructure by October 2018.

96. We concluded that NHSGGC is actively strengthening its cyber resilience arrangements. The board has completed its CE pre-assessment, achieving certification for its corporate network on 21st March 2018, and is on track to achieve full Cyber Essentials compliance by the end of October 2018. We will review progress during our 2018/19 audit.

General Data Protection Regulation

97. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. All EU member states have to implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts.

98. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in the board incurring significant fines.

99. NHS Scotland established a short working life group to prepare for the implementation of GDPR, with representation from health boards including NHS Greater Glasgow and Clyde. The group produced a checklist which NHSGGC developed into an action plan under the NHS Greater Glasgow and Clyde Information Governance Steering Group. The Audit and Risk Committee received updates during the year on actions being taken and progress made covering prior and post implementation.

100. We concluded that NHS Greater Glasgow and Clyde has arrangements in place to ensure the requirements of GDPR were addressed in time for implementation.

Health and social care

101. There are six Integration Joint Boards (IJBs) within NHS Greater Glasgow and Clyde's catchment area and they became fully operational on 1 April 2016. The board has good arrangements in place to identify all the financial transactions that relate to each IJB. It also has arrangements in place to agree the its share of the IJB budgets and it provided each IJB with the appropriate financial information to enable them to monitor their financial budget.

102. During the first half of 2017/18 there were ongoing discussions with integrated joint board partners around the agreement of the financial settlement. Throughout the year discussions with IJB Chief Officers continued and this has helped to strengthen relationships and has led to financial settlements for 2018/19 being agreed on a more timely basis.

103. Health Boards and Integration Authorities were required to agree a figure to cover the "set aside" sum for large hospital services to be included in their respective 2017/18 annual accounts. The Board and IJB have chosen to continue the transitional agreements for agreeing the set aside sum.

104. It is however difficult to point to any shifts in spending (away from hospital care, toward the community) or improvements in performance resulting from the new structures; or to clearly identify specific actions that have led to improvements as there are many initiatives ongoing.

2020 Vision

105. In 2011 the Scottish Government set out an ambitious vision for health and social care that by 2020 everyone is able to live longer, healthier lives at home or in a homely setting. In August 2015 the Cabinet Secretary for Health, Well-being and Sport opened a national conversation on creating a healthier Scotland which aimed to increase the pace of progress towards the 2020 vision. The Board's clinical strategy outlines how the 2020 vision will be taken forward by the Board.

Good practice

106. New financial reports were developed during 2017/18. From attendance at the Finance and Planning committee over the past year we have noted an increase in the depth of discussions and the scrutiny around the financial position and projections. The committee are presented with detailed financial reports by the Director of Finance. These detailed reports provide better linkage and tracking of the financial position from the start of the year through to year end projections.

107. The new layout of the financial reports has promoted more transparent financial reporting and has been designed taking into account requests from members to incorporate more graphics and trend analysis.

108. The board maintains a staff register of interest which all staff should complete. This helps to identify any related parties or conflicts of interest and helps the board to be open and transparent.

Part 5

Value for money



Main judgements

NHS Greater Glasgow and Clyde has an effective performance management framework in place that supports the board in its drive to achieve value for money and continually improve how it delivers services.

NHS Greater Glasgow and Clyde's performance against LDP standards continues to be below established targets.

Performance management

109. The Scottish Government monitors how NHS Greater Glasgow and Clyde performs against the targets it set in its national performance framework. These include targets and their trajectories (plans) as set out in the board's Local Delivery Plan (LDP). Examples include waiting times for accessing treatment such as the proportion of patients that were seen within 12 weeks, otherwise known as the Treatment Time Guarantee.

110. The board is kept well informed of performance across all areas. The board received Integrated Performance Reports in the form of a balanced scorecard on a regular basis detailing performance against board wide LDP standards and other local standards. The detailed review and scrutiny of performance has been delegated to the Acute Services Committee.

111. Each meeting of the Board and Acute Services Committee receives an integrated performance report. Performance is reported using key indicators (including the LDP Standards for 2017/18). Performance reports contain detailed information for each performance target including trend analysis, specific performance issues and actions being taken to improve performance.

112. Committee members receive supplementary reports on specific aspects of performance, namely waiting times and the financial position. These enable members to focus on key risks relating to access to treatments and financial sustainability.

113. We concluded that NHS Greater Glasgow and Clyde has an effective performance management framework in place assisting the board in securing value for money and aiding continuous improvement in how it delivers services.

Overview of service performance

114. The board's performance information, presented to the May Acute Services Committee, detailed performance against 35 separate measures, 22 of which were given a performance rating. These include LDP Standards as reported in the 2017/18 annual accounts, and based on the most up-to-date position at the end of March 2018 is summarised in [Exhibit 9](#).

Value for money is concerned with using resources effectively and continually improving services.

Exhibit 9

Overall performance against LDP standards



Source: Annual Report and Accounts; Integrated Performance report to Acute Services Committee May 2018

115. Overall, NHS Greater Glasgow and Clyde has continued to experience difficulties in achieving many key performance targets over the past year. However, there are a number of targets that are outwith acceptable standards and more detail is provided on these in Exhibit 10.

Exhibit 10

Performance against key LDP standards

Target/standard	Performance at March 2018 (March 2017) ¹	Action being taken by Board
62 Day Cancer Wait Patients with a suspicion of cancer treated within 62 days	95% ● 82.1%	Re-modelling work to reduce patient pathway gaps. A review of endoscopy capacity has been undertaken and a consistent approach to booking is being applied across all sectors.
31 Day Cancer Wait Patients diagnosed with cancer who begin treatment within 31 days	95% ● 93.6%	Work to re-model patient pathways to ensure that milestones in a patient treatment plan.
Diagnostics Number of patients waiting more than 6 weeks for a key diagnostic test	0 ● 6,139	Focus remains on patients with the highest clinical priority and longest wait time. Work is underway to

Target/standard	Performance at March 2018 (March 2017) ¹	Action being taken by Board
<p>Accident and Emergency 4 hour wait time target</p> <p>Proportion of patients waiting less than 4 hours from arrival to admission</p>	<p>95% ● 86.7%</p>	<p>redistribute patients across each of the three sectors.</p> <p>Thrice daily monitoring is ongoing as well as conference calls with IJB Chief Officers to ensure effective management of patient flows in relation to delayed discharges and patient flow.</p>

Note: 1. Figures still to be validated by NHS Information Services Division.

Source: Acute Services Committee May 2018

116. The Scottish Government has indicated that in 2018/19 NHS Boards are expected to focus on eight key standards that are most important to patients. It is expected that NHS Greater Glasgow and Clyde will achieve as a minimum the March 2017 outturn position by March 2019.

117. The board are committed to achieving the March 2017 performance level, however recognise that this represents a significant challenge. Improvement work is underway to identify and realise productivity gains, redesign services and patient pathways. The board acknowledge that whilst these measures will assist in addressing waiting time performance, a level of additional capacity will be required as the baseline includes waiting list initiatives and the utilisation of non-recurring funds.



Recommendation 7

The board should review and monitor the investments designed to improve performance and determine whether specific area/specialities require more detailed scrutiny.

Shared services

118. The financial challenges facing the health service in Scotland are well documented. The speed at which substantial changes are needed within the NHS means that greater sharing of services between health boards is vital if the Scottish Government is to achieve the overall ambitions of the 2020 vision. In 2015, the Scottish Government established a transformational programme board including senior representatives from NHS boards to provide greater coordination across boards and various healthcare programme and initiatives.

119. NHS Greater Glasgow and Clyde is heavily involved in national and regional developments and officers regularly update the Board on developments.

National performance audit reports

120. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2017/18 a

number of reports were published which are of direct interest to the board and are highlighted in [Appendix 4](#).

121. In 2016/17 we reported that no formal process was in place to ensure that Audit Scotland national reports were considered by officers. In response to this, the Board has established processes to ensure that national performance reports and their impact on the board are considered by the Audit and Risk Committee or an appropriate governance committee.

122. There has been evidence during the year of actions taken in response to national reports being reported back to the Audit and Risk Committee.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Consolidation of IJB Accounts</p> <p>The IJB accounts and papers were not provided within agreed timescales.</p> <p>Risk</p> <p>The accounts do not include the necessary consolidation adjustments and are delayed if the financial information is received late. Accounts preparation and audit work are put under additional pressure.</p>	<p>Arrangements should be agreed well in advance with the six IJBs to ensure the flow of information will facilitate the timely certification of NHSGGC accounts.</p> <p>ISA 260 Finding 1</p>	<p>Difficulties related to one IJB, centred around challenges in agreeing closing figures.</p> <p>Discussion will be held with IJB Chief Officers and Chief Finance Officers to ensure adherence to the agreed timetable for the 2018/19 Annual Accounts.</p> <p>Responsible officer:</p> <p>Director Of Finance</p> <p>Agreed date: March 2019</p>
2	<p>Road Traffic Accident</p> <p>The income accrual is not in line with guidance issued by the Department of Work and Pensions. There is no bad debt provision nor bad debt write off as recommended by the guidance.</p> <p>Risk</p> <p>The RTA debtor position within the financial statements may be mis-stated.</p>	<p>The board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme.</p> <p>ISA 260 Finding 2</p>	<p>In response to the previous audit recommendation, a system was implemented to allow for the collection of RTA data in 2017/18 and this will continue in 2018/19. This will form the basis of the database required for the Recovery Scheme.</p> <p>Responsible officer:</p> <p>Assistant Director of Finance</p> <p>Agreed date: April 2018</p>
3	<p>Debt Write off</p> <p>Our review of the bad debt provision highlighted a number of debts over three years old and there were also debts relating to overseas patients. We have been informed that some of the overseas patient debt will be written off in 2018/19.</p> <p>Risk</p>	<p>The board should undertake an annual review of debts deemed to be irrecoverable and write off as appropriate.</p> <p>ISA 260 Finding 3</p>	<p>A review was completed as part of the year end process, with none of the balances deemed suitable for write-off at that time. However, a review of debts will be carried out in the second quarter of 2018/19 and any debts identified as irrecoverable will be written off. This process will be implemented twice yearly to</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	The annual accounts may be mis-stated.		ensure that irrecoverable debts are not carried forward. Responsible officer: Assistant Director of Finance Agreed date: September 2018
4	<p>Capacity of finance function</p> <p>The finance function has experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established however longer-term solutions are required.</p> <p>Risk</p> <p>The finance function is not appropriately resourced in terms of experience and knowledge, potentially leading to issues with financial management and accounts preparation.</p>	<p>Review roles and structures within finance to ensure they meet current demands. Ensure succession planning arrangements are in place.</p> <p>Paragraph 44</p>	<p>A wider review of the whole finance function is planned for 2018/19. This will address current vacancies and include succession plans.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: 31 December 2018</p>
5	<p>Efficiency savings</p> <p>For 2018/19 the board is required to deliver savings of £93 million. The board has yet to identify how all the savings will be achieved.</p> <p>Risk</p> <p>The board may not be able to deliver the targeted savings in 2018/19, and beyond.</p>	<p>The board should ensure that savings plans are developed identifying how the £93 million of savings required will be delivered.</p> <p>Paragraph 54</p>	<p>The organisation has implemented a wide ranging Financial Improvement Programme (FIP) designed to address the Board's financial position. However, this is against an ever increasing challenge to identify and achieve recurring savings.</p> <p>Responsible officer: Chief Executive/Director of Finance</p> <p>Agreed date: On-going</p>
6	<p>Medium to long term efficiency savings</p> <p>The Annual Delivery Plan does not set out the savings requirement beyond 2018/19.</p> <p>Risk</p> <p>Savings requirements for the medium to longer term may not be identified and may not be achieved.</p>	<p>The board should prepare medium to long term efficiency savings requirements based on its key financial assumptions about future funding and costs.</p> <p>Paragraph 55</p>	<p>5 year projections have been presented to both the Finance and Planning Committee and the Board. The FIP is a permanent programme designed to address the financial challenge in both the short and longer term.</p> <p>Projections, with scenarios, will continue to be calculated and presented through the financial</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			<p>year as the assumptions change.</p> <p>Responsible officer: Chief Executive/Director of Finance</p> <p>Agreed date: March 2019</p>
7	<p>Overview of service performance</p> <p>The Scottish Government has identified a number of performance standards that significantly impact on patients which boards have to focus on in 2018/19. The boards performance against a number of these key standards has been in an adverse position during 2017/18.</p> <p>Risk</p> <p>Performance may not improve or may continue to deteriorate if not addressed.</p>	<p>The board should review and monitor its investments designed to improve performance and determine whether specific areas/specialities require more detailed scrutiny or additional actions to be taken.</p> <p>Paragraph 117</p>	<p>Achieving waiting times targets remains a key priority for the Board. However, financial constraints, staffing shortages and increasing demand present an ever difficult landscape.</p> <p>The Annual Operational Plan re-iterates that commitment and outlines the trajectories, the resources required and the actions to try and address achievement of the targets.</p> <p>Responsible officer: Chief Operating Officer</p> <p>Agreed date: March 2019</p>

Follow up of prior year recommendations

b/f	<p>1. Performance and Accountability Report</p> <p>The performance and accountability reports were not completed and reviewed within a sufficient timeframe to ensure inclusion with the draft financial statements passed to audit.</p> <p>Risk</p> <p>The audit is delayed due to the absence of key sections of the annual accounts.</p>	<p>The timetable for the completion of the financial statements should include an allowance for a management quality review of the performance and accountability reports prior to submitting a draft version to audit.</p>	<p>Updated response: The Performance and Accountability reports were provided within agreed timescales. Quality control processes were established to ensure the draft reports provided to audit were of an appropriate standard.</p> <p>Responsible officer: Director of Finance</p> <p>Revised date: N/A – implemented.</p>
b/f	<p>2. Consolidation of IJB Accounts</p> <p>The IJB accounts and papers were not provided within agreed timescales.</p> <p>Risk</p> <p>The accounts do not include the necessary consolidation</p>	<p>Arrangements should be agreed well in advance with the six IJBs to ensure the flow of information will facilitate the timely certification of NHSGGC accounts.</p>	<p>Updated response: The IJB working papers were not provided in line with agreed timescales.</p> <p>Revised action: see action plan point 1 above.</p> <p>Responsible officer: Director of Finance</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	adjustments and are delayed if the financial information is received late. The audit opinion is modified if the accounts are incomplete.		Revised date: March 2019
b/f	<p>3. Road Traffic Accident Debtor</p> <p>The board currently do not accrue any income or have a bad debt provision within the financial statements in relation to the Injury Recovery Scheme.</p> <p>Risk</p> <p>The debtor position within the financial statements is understated due to the omission of the accrued income in relation to the Injury Recovery Scheme.</p>	<p>The board should establish appropriate processes to maintain records of the claims being pursued on their behalf. This will enable the quantification of accrued income and the corresponding bad debt provision in future.</p>	<p>Updated response: The board have established an accrual of income, however this is based on a cash basis for the last 3 months of 2017/18 rather than claims received in year. There is no bad debt provisions or bad debt write off as recommended by the guidance.</p> <p>Revised action: see action plan point 2 above</p> <p>Responsible officer: Assistant Director of Finance</p> <p>Revised date: April 2018</p>
b/f	<p>4. Savings targets</p> <p>Savings plans do not currently identify how the savings requirement of £122.4 million will be achieved.</p> <p>Risk</p> <p>There is a risk that savings required to fund the budget gap are not realised.</p>	<p>The board should ensure that savings plans are developed to ensure delivery of the required £122.4 million of savings required in 2017/18, including the unidentified £18.5 million, will be achieved.</p>	<p>Updated response: The board achieved financial balance through a combination of savings identified in plans, non-recurring funds and Scottish Government support.</p> <p>Revised action: see action plan point 5 above</p> <p>Responsible officer: Chief Executive/Director of Finance</p> <p>Revised date: On-going</p>
b/f	<p>5. Integration Joint Board's arrangements</p> <p>The board has not agreed financial settlements with each of the Integration Joint Board for 2017/18.</p> <p>Risk</p> <p>There is a risk that Integration Joint Board arrangements are not fully effective due to difficulties in agreeing arrangements around their governance and financial arrangements.</p>	<p>The board should engage with each Integration Joint Board to ensure the development of robust governance and financial arrangements, including the agreement of the financial settlement for 2017/18 and related efficiency savings.</p>	<p>Updated response: The board have taken a pro-active approach in working with their IJB partners. This has ensured that financial settlement agreements have been agreed earlier in 2018/19.</p> <p>Responsible officer: Director of Finance</p> <p>Revised date: N/A - Implemented</p>
b/f	<p>6. Performance targets</p>	<p>The board should monitor its investments designed to improve performance and</p>	<p>Updated response: The board did not achieve all its</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The board did not achieve all its performance targets in 2016/17.</p> <p>Risk</p> <p>There is a risk that in a climate of challenging funding settlements and competing priorities, performance targets are not achieved or maintained.</p>	<p>determine whether specific areas/specialities require more detailed scrutiny or additional actions to be taken.</p>	<p>performance targets in 2017/18.</p> <p>Revised action: see action plan point 7 above</p> <p>Responsible officer: Chief Operating Officer</p> <p>Revised date: March 2019</p>
b/f	<p>7. National Reports</p> <p>The board do not have a formal process in place for reviewing published reports and determining the appropriate review and follow up action to be taken.</p> <p>Risk</p> <p>There is a risk reports are not considered by appropriate committees or officers or actions arising are not followed up.</p>	<p>The board should establish a formal process for the consideration and follow up of Audit Scotland national reports by appropriate officers and that actions taken are reported back to the Audit and Risk Committee.</p>	<p>Updated response: A process has been established to ensure that national performance reports and their impact on the board are considered by the Audit and Risk Committee or appropriate governance committee.</p> <p>Responsible officer: Finance Governance Manager</p> <p>Revised date: N/A – Implemented.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions after the year end, to confirm expenditure and income have been accounted for in the correct year.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Substantive testing of transactions around the year end identified controls were operating effectively.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2 Risk of fraud over income</p> <p>NHS Greater Glasgow and Clyde receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of income transactions focussing on the areas of greatest risk.</p> <p>Obtain assurances form the NHS Scotland Counter Fraud Service.</p> <p>Complete NFI audit questionnaire to assess progress and actions taken by the board to investigate matches.</p>	<p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Assurances were obtained from the findings of NHS Scotland Counter Fraud Service.</p> <p>Completion of the NFI questionnaire identified significant work had been undertaken by NHS Greater Glasgow and Clyde to investigate NFI matches.</p> <p>Conclusion: No evidence of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p>	<p>Analytical procedures on income streams.</p>	<p>Detailed testing of expenditure transactions confirmed these were normal business</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The assumption on fraud over income is mirrored in terms of aspects of expenditure. NHS Greater Glasgow and Clyde incurs significant expenditure on a range of activities which will require audit coverage.</p>	<p>Detailed testing of income transactions focussing on the areas of greatest risk.</p> <p>Obtain assurances from the NHS Scotland Counter Fraud Service.</p> <p>Complete NFI audit questionnaire to assess progress and actions taken by the board to investigate matches.</p>	<p>transactions and had been accounted for in the correct year.</p> <p>Assurances were obtained from the findings of NHS Scotland Counter Fraud Service.</p> <p>Completion of the NFI questionnaire identified significant work had been undertaken by NHS Greater Glasgow and Clyde to investigate NFI matches.</p> <p>Conclusion: No evidence of fraud over income.</p>
<p>4 Estimation and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of the 'review of the work of an expert' for the professional valuer.</p> <p>Review of information provided by the Central Legal Office.</p> <p>Focussed substantive testing on values and balances which are derived by valuation and estimation, including accruals and provisions.</p>	<p>Review of the work of an expert was completed for the professional valuer and the Central Legal Office which confirmed that assurances can be taken from their work.</p> <p>A review of the revaluations performed by the valuer identified these had been performed in a reasonable manner and had been correctly reflected in the financial statements.</p> <p>A review of the information provided by the Central Legal Office to support the provision clinical and medical legal claims and for CNORIS did not identify any issues and these have been correctly reflected in the financial statements.</p> <p>A review of other estimates and judgements did not show any evidence of bias and accounting policies were appropriate.</p> <p>Conclusion: Estimations and judgements included in the financial statements are supported by evidence.</p>
<p>5 Financial Capacity</p> <p>The health board has experienced staffing changes within the finance function. These changes will affect officers involved in the preparation of the financial statements and the subsequent audit process.</p> <p>The board should ensure that the finance function is appropriately resourced and that effective succession</p>	<p>We shall have early discussion with officers regarding the annual accounts timetable. Discussions will continue throughout the course of the audit.</p> <p>We will issue a working paper checklist to outline requirements and agree timescales for the receipt of unaudited accounts and working papers.</p>	<p>Discussions with officers regarding the annual accounts.</p> <p>Weekly meetings with finance officers throughout the audit process.</p> <p>A working paper checklist was issued in March 2018 outlining the requirements for the annual accounts working papers.</p> <p>Conclusion: The unaudited accounts along with supporting working papers</p>

Audit risk	Assurance procedure	Results and conclusions
<p>planning arrangements are in place.</p> <p>There is a risk that the finance department is not sufficiently resourced in terms of time, experience and knowledge to support the preparation of the financial statements.</p>		<p>were provided in line with agreed timescales.</p>
<p>6 Integration Joint Board's arrangements</p> <p>The 2016/17 IJB accounts and working papers were not provided within planned timescales at the year end. The Board should agree a timetable and approach to obtaining IJB figures for consolidation and assurances required for the group governance disclosures.</p> <p>There is a risk that the accounts do not include the necessary consolidation adjustments and are delayed if the financial information is received late.</p>	<p>We shall have early discussions with officers regarding the timetable and delivery process.</p> <p>We shall seek assurances from the appointed external auditor at each IJB and liaise as appropriate.</p> <p>We will obtain assurance from the Board's Director of Finance for the group governance disclosure.</p> <p>Specific group account testing will assess the appropriateness of consolidation transactions.</p>	<p>Early discussions with officers confirmed the year end timetable for receipt of IJB information.</p> <p>Assurances were obtained from the appointed external auditor at each IJB.</p> <p>We are completing specific group account testing on the consolidation transactions. The results of the IJBs were appropriately brought in to the board's accounts.</p> <p>Conclusion: Whilst arrangements were in place for the receipt of the IJB accounts and working papers, the timing of this was significantly later than the agreed timescales.</p>
<p>7 Performance Report</p> <p>During the 2016/17 financial statements audit the performance and accountability reports were not provided with the draft financial statements due to the reports not being completed and reviewed within a sufficient timeframe.</p> <p>There is a risk that the financial statements audit cannot be completed within the agreed timeframe if the report is not produced timeously.</p>	<p>We will issue a working paper checklist to outline requirements and agree timescales for the receipt of the performance and accountability reports.</p> <p>We shall have early discussion with officers regarding the timetable and delivery process.</p>	<p>The working paper checklist was issued in March 2018. Discussions took place with officers regarding audit expectations for the performance report and the quality control processes established to ensure the report was ready within agreed timescales.</p> <p>Conclusion: The Performance report was provided within agreed timescales. Quality control arrangements were evident.</p>
<p>8 Road Traffic Accident (RTA) Debtor</p> <p>During 2016/17 new guidance was issued in relation to how RTA income should be reflected within the financial statements. We identified that the board did not accrue any income or apply a related bad debt provision within the financial statements in relation to the Injury Recovery Scheme as required by the revised guidance. Instead recognition</p>	<p>Early discussions with finance officers to determine what processes have been put in place to appropriately record claims pursued on the board's behalf.</p> <p>Review of established processes.</p> <p>Substantive testing of the board's RTA income and debtor figures and associated provisions.</p> <p>Discussions with officers to assess the effectiveness of</p>	<p>Discussed with officers and review of the procedure established by the board to record RTA claims and associated income and debtors and provisions figures.</p> <p>Conclusion: The board have established an accrual of income during 2017/18, however this is an estimate based on cash received for the last 3 months of 2017/18 rather than claims made. There is no bad debt provision nor bad</p>

Audit risk	Assurance procedure	Results and conclusions
<p>was only at the point of receipt of income.</p> <p>The board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme, otherwise there is a risk that income is mis-stated within the financial statements.</p> <p>The board should also ensure that effective arrangements are in place for ensuring that all legislative and regulatory changes are identified and that relevant services are acting upon the guidance.</p>	<p>measures to receive and communicate relevant changes in legislation and regulation.</p>	<p>debt write off as recommended by the guidance.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>9 Financial position and Financial sustainability</p> <p>NHS Greater Glasgow and Clyde's financial plan for 2017/18 identified a savings requirement of £122.4 million. The board were unable to set a balanced budget for the year and the financial plan recognised a funding gap of £18.5 million. The board reported an overspend of £24.4 million to the end of September 2017 and are reporting an expected overspend of £20 million at the year end. This figure may change due to uncertainties relating to winter pressures. The Financial Plan forecasts future savings requirements of £54 million, £56 million and £57 million over the next three years.</p> <p>There is a risk that planned savings are not realised or achieved recurrently resulting in the board's financial position deteriorating.</p>	<p>Monitor updates to the Financial Plan and the ongoing financial position.</p> <p>Review the monthly financial returns to the SGHSCD.</p> <p>Review the financial monitoring reports to the board, acute services committee and finance and planning committee.</p> <p>Test a sample of transactions substantively before and after the year end to confirm expenditure and income has been accounted for in the correct financial year.</p>	<p>Reviewed the financial plan and relevant financial papers to monitor the ongoing financial position.</p> <p>Reviewed the monthly returns to the SGHSCD.</p> <p>Attended Finance and Planning committees. Reviewed financial monitoring reports presented to the Board and other standing committees.</p> <p>Discussions with finance officers to keep up to date with financial developments during the year.</p> <p>Reviewed a sample of pre- and post-year end transactions and confirmed that these were accounted for in the correct financial year.</p> <p>Conclusion: The board achieved their savings requirement of £122.4 million, albeit with significant reliance on non-recurrent funds.</p>
<p>10 Performance targets</p> <p>The board continues to face difficulties in achieving all performance targets. There is a risk that, due to financial pressures and competing priorities, performance targets are not met.</p>	<p>Monitor the regular performance reporting to the board and its standing committees.</p> <p>Attendance at Acute Services Committee.</p>	<p>Reviewed the Integrated Performance Reports presented to the Board and Acute Services Committee.</p> <p>Attended Acute Services Committee.</p> <p>Conclusion: The board continues to experience challenges in improving</p>

Audit risk	Assurance procedure	Results and conclusions
		performance against a number of key performance targets.

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements that are individually greater than our reporting threshold of £100,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in Exhibit 2. We are satisfied that these errors do not have a material impact on the financial statements.

No.	Account areas	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
1	Accruals			1,144	
	FHS		1,144		
2	Accruals				163
	FHS (Prescribing)	163			
3	Trade Creditors			207	
	Income tax and social security				207
4	Accrual (untaken leave)			233	
	Staff costs		233		
5	Land			305	
	Buildings				305
6	Investments in joint ventures				2,747
	Other reserves – joint ventures			2,747	
Net impact		163	1,377	4,636	3,422











Notes:

- Entry 1 relates to a year end over accrual of FHS non cash limited expenditure which was included within the accounts
- Entry 2 relates to an under accrual of FHS prescribing which was not included within the accounts.
- Entry 3 relates to a mis-posting within creditors of £207k between trade creditors and income tax and social security.
- Entry 4 relates to an over accrual of untaken annual leave included within the accounts.
- Entry 5 Buildings are overstated and land is understated within the accounts by £305k.
- Entry 6 relates to Other reserves joint ventures being overstated by £2.747m within the accounts.

Appendix 4

Summary of national performance reports 2017/18



		2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

NHS relevant reports

[NHS workforce planning](#) – July 2017

[Self-directed support: 2017 progress report](#) – August 2017

[NHS in Scotland 2017](#) – October 2017

NHS Greater Glasgow and Clyde

2017/18 Annual Audit Report

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