

NHS Greater Glasgow and Clyde

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for NHS Greater Glasgow and Clyde
March 2021

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Risks and planned work

- 1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value

- 5.** We aim to add value to NHS Greater Glasgow and Clyde through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help NHS Greater Glasgow and Clyde promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

- 6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for NHS Greater Glasgow and Clyde. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2020/21 Significant audit risks

Audit Risk	Source of assurance	Planned audit work
Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focussed testing of accruals and prepayments. Evaluation of any significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement caused by estimations and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of non-current assets and provisions. This subjectivity represents an increased risk of misstatements in the financial statements.</p>	<ul style="list-style-type: none"> NHS GGC has robust systems in place to prevent and detect fraud. Regular meetings between Fraud Liaison Officer and Counter Fraud Services Regular reports to Audit and Risk Committee. 	<ul style="list-style-type: none"> Test management's controls and procedures over these estimations and judgements. Review of the work of management's expert valuers. Substantive testing of selected year-end valuation reports. Review information provided by the Central Legal Office. Focussed substantive testing within provisions on values and balances which are derived by valuation and estimation Review management's assessment of the appropriateness of the assumptions used in the valuation of certain assets and liabilities.
<p>3 Existence of assets</p> <p>In 2019/20 we identified a risk of material misstatement around the existence of assets. We noted limited asset verification work is completed within the board and arrangements in place to inform the fixed asset team of disposals or changes in assets location or condition are inconsistent or not implemented.</p> <p>Our asset verification work focused on portable assets as these assets are more likely to be moved around and</p>	<ul style="list-style-type: none"> Over 90% of the Board's assets (in value) are buildings but the Board's Finance Department analysis the medical physics system to track asset movements. 	<ul style="list-style-type: none"> Review of arrangements in place within the board for verifying assets. Focussed verification work undertaken on a sample of portable assets.

Audit Risk	Source of assurance	Planned audit work
<p>therefore could be more difficult to locate. We reported our findings in the 2019/20 Annual Audit Report. Management agreed to establish appropriate arrangements for the verification of assets. This included establishing management responsibilities within departments for ownership of assets and the return of relevant documentation to the fixed asset team within finance to ensure accounting records are complete.</p>		
<p>4 Impact of additional funding due to Covid-19 on the financial statements</p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Health Board. The Scottish and UK governments have announced a range of additional funding streams to support frontline services and help the organisation manage the financial pressures caused by Covid-19. This has also resulted in an associated increase in expenditure with some new expenditure streams. Total additional funding in 2020/21 is expected to be in the region of £180 million.</p>	<ul style="list-style-type: none"> • Anticipated Covid-19 costs and Covid-19 actual spend have been monitored closely throughout the year and reported through Local Mobilisation Plan returns submitted to Scot Govt regularly. • In year financial monitoring reports. • The Board will adhere to final guidance on how these costs are to be reflected in the annual accounts. 	<ul style="list-style-type: none"> • Assess how the Board has processed and controlled the additional funding and associated expenditure, • Assess how the additional funding and associated expenditure impacts on the financial statements. • Review the Annual Report and Accounts and consider how the additional funding and associated expenditure has been reported.
Wider dimension risks		
<p>5 Financial sustainability -Short Term</p> <p>Whilst the board are projecting a year end break even position financial challenges going forward remain significant. The board received funding in 2020/21 in relation to additional costs resulting from the covid-19 pandemic and funding for savings not achieved.</p> <p>The board will face financial challenges in the short to medium term as routine services continue to remobilise. The Financial Improvement Programme will be important in driving forward identification and achievement of future efficiency savings within the board.</p>	<ul style="list-style-type: none"> • Financial Improvement Programme ongoing work. • Detailed finance reports prepared for budget holders. • Covid LMP returns. • Financial Planning return. • Regular reports presented to Board and F&P Committee. 	<ul style="list-style-type: none"> • Monitor updates to the Financial Plan and the ongoing financial position. • Review the monthly financial returns to the SGHSCD. • Review the financial monitoring reports to the board, acute services committee, and finance, planning and performance committee. • Attendance at the Finance Planning and Performance Committee. • Test a sample of transactions substantively before and after the year end to confirm expenditure and income have been accounted for in the correct financial year. • Review financial and savings plans over the medium term which are aligned to the Remobilisation Plan and

Audit Risk	Source of assurance	Planned audit work
		Moving Forward Together programme.
<p>6 Financial Capacity</p> <p>Our 2019/20 AAR detailed that the finance function experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established, and the longer-term solution involved a restructure of the finance function. The first part of the finance restructure project is complete with the appointment of three Assistant Director of Finance posts. The finance function is currently in a period of transition.</p> <p>Further review of the wider finance function has been undertaken and it will be important to ensure appropriate provision of experience and knowledge is in place across finance to mitigate any potential issues with financial management or accounts preparations</p>	<ul style="list-style-type: none"> The new Assistant Directors all take up post by early April. For internal appointments backfill is already underway. Additional staffing has been brought into the service on an interim basis, pending conclusion and full implementation of the revised Finance structure. 	<ul style="list-style-type: none"> We shall have early discussion with officers regarding the annual accounts timetable. Discussions will continue throughout the course of the audit. We will issue a working paper checklist to outline requirements and agree timescales for the receipt of unaudited accounts.
<p>7 Senior Management Capacity</p> <p>NHS Greater Glasgow and Clyde has experienced exceptional challenges this year; the Covid 19 pandemic, continued special measure status, the commencement of a public inquiry into the Queen Elizabeth University Hospital (QEUH) and litigation against the QEUH contractor. There is a risk that this may impact on Board and Senior Management capacity which could potentially result in a reduced wider strategic and operational oversight. This could have a detrimental impact on service delivery and damage broader partnership working.</p>	<ul style="list-style-type: none"> A number of senior appointments made across the Board. Wellbeing supports have been developed and rolled out to support staff at all levels in the organisation The Remobilisation Planning work has ensured that focus on a strategic and operational pathway through the pandemic and beyond is maintained. 	<ul style="list-style-type: none"> Assessing impact on Board and Senior Management capacity. Understand the impact on third and fourth tier management in terms of capacity and ability to respond to increased expectations.

Source: Audit Scotland

7. As set out in ISA(UK) 240, there is a presumed risk of fraud in revenue recognition. We have rebutted this presumed risk in 2020/21 because, while the possibility of fraud exists, we do not judge it to be significant risk due to the nature of NHS Greater Glasgow and Clyde's revenue streams.

8. In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Due to the nature of NHS Greater Glasgow and Clyde's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2020/21.

9. We have therefore not incorporated specific work into our audit plan in these areas over and above our standard fraud procedures.

Reporting arrangements

- 10.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
- 11.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
- 12.** We will provide an independent auditor's report to NHS Greater Glasgow and Clyde, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.
- 13.** Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year – end, i.e. 31 December. Management are required to submit their audited financial statements by 31 August 2021 to meet the consolidation timetable.

Exhibit 2

2020/21 Audit outputs

Audit Outputs	Target date	Committee Date
Annual Audit Plan	31 March 2021	16 March 2021
Management Letter	31 May 2021	TBC
Independent Auditor's Report	31 August 2021	TBC
Annual Audit Report	31 August 2021	TBC

Source: Audit Scotland

Audit fee

- 14.** The agreed audit fee for the 2020/21 audit of NHS Greater Glasgow and Clyde is £407,810 [19/20 £397,900]. In determining the audit fee, we have taken account of the risk exposure of NHS Greater Glasgow and Clyde, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual report and accounts with a complete working papers package on 7 June 2021.
- 15.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts or working papers a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

- 16.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

17. The audit of the annual report and accounts does not relieve management or the Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

18. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

19. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual report and accounts

20. The annual report and accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of NHS Greater Glasgow and Clyde and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how NHS Greater Glasgow and Clyde will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing, and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

21. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2021 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted, and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Statutory other information in the annual report and accounts

22. We also review and report on statutory other information published within the annual report and accounts including the performance report, accountability report including the annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

23. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

24. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



characteristics



responsibilities



principal activities



risks



governance arrangements

25. We assess materiality at different levels as described below. The calculated materiality values for NHS Greater Glasgow and Clyde are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Materiality	Value
Planning materiality – This is the figure we use to assess the overall impact of audit adjustments on the financial statements. It has been set at 0.5% of gross expenditure for the year ended 31 March 2021 based on month the 7 budget reports to date.	£27 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have set performance materiality at 60% of planning materiality.	£16 million
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£250 thousand

Source: Audit Scotland

Internal audit

26. Internal audit is provided by Azets. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK) 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

27. We will report any significant findings to management on a timely basis.

Using the work of internal audit

28. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

Audit dimensions

29. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

30. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

Financial sustainability

31. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium, and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

32. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude, and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- how NHS Greater Glasgow and Clyde has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

33. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

Governance and transparency

34. 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. We will review, conclude, and report on:

- whether NHS Greater Glasgow and Clyde can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

35. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

Value for money

36. Value for money refers to using resources effectively and continually improving services. We will review, conclude, and report on whether NHS Greater Glasgow and Clyde can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

Best Value

37. The Accountable Officer of NHS Greater Glasgow and Clyde has a duty to ensure arrangements are in place to secure best value. We will review and report on these arrangements.

Independence and objectivity

38. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

39. The engagement lead (i.e. appointed auditor) for NHS Greater Glasgow and Clyde is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor John Cornett to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of NHS Greater Glasgow and Clyde.

Quality control

40. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures,

to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

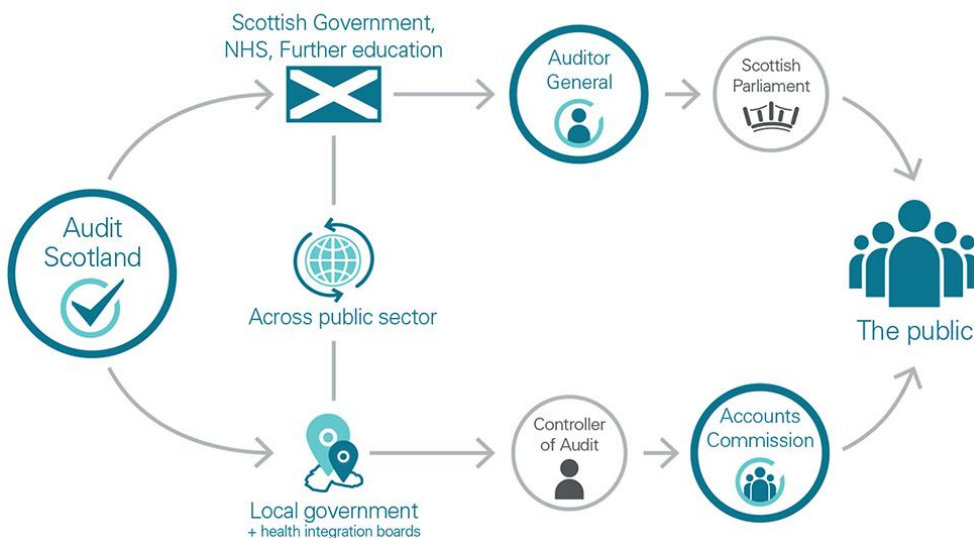
41. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

42. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Appendix 1: 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.

NHS Greater Glasgow and Clyde

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