



National Waiting Times Centre Board

External Audit Annual Plan
2021/22

February 2022



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Introduction



Introduction

1. This document summarises the work plan for our 2021/22 external audit of National Waiting Times Centre Board (“the Board”) also known as NHS Golden Jubilee.
2. The core elements of our work include audits of:
 - the 2021/22 annual report and accounts and related matters;
 - the Board’s arrangements for financial sustainability, financial management, governance and transparency and value for money;
 - the Board’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.
3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including NHS bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Azets as external auditor of National Waiting Times Centre Board for the six year period 2016/17 to 2021/22¹. This document summarises the audit plan for 2021/22 and includes;
 - the responsibilities of Azets as the external auditor;
 - our audit strategy;
 - our planned audit work and how we will approach it;
 - our proposed audit outputs and timetable; and
 - background to Azets and the audit management team.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including NHS bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions, including monitoring the

Auditor independence

6. International Standards on Auditing in the UK require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We comply with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, the audit process is independent and our objectivity is not compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

¹ In October 2020, the Auditor General extended our audit appointment for one year through to the audit of

the 2021/22 financial year to provide continuity and stability in the current challenging environment.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Respective responsibilities of the auditor and the Board

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Respective responsibilities of the auditor and the Board

Auditor responsibilities

Code of Audit Practice

12. The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Our responsibilities

13. Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Auditor General when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

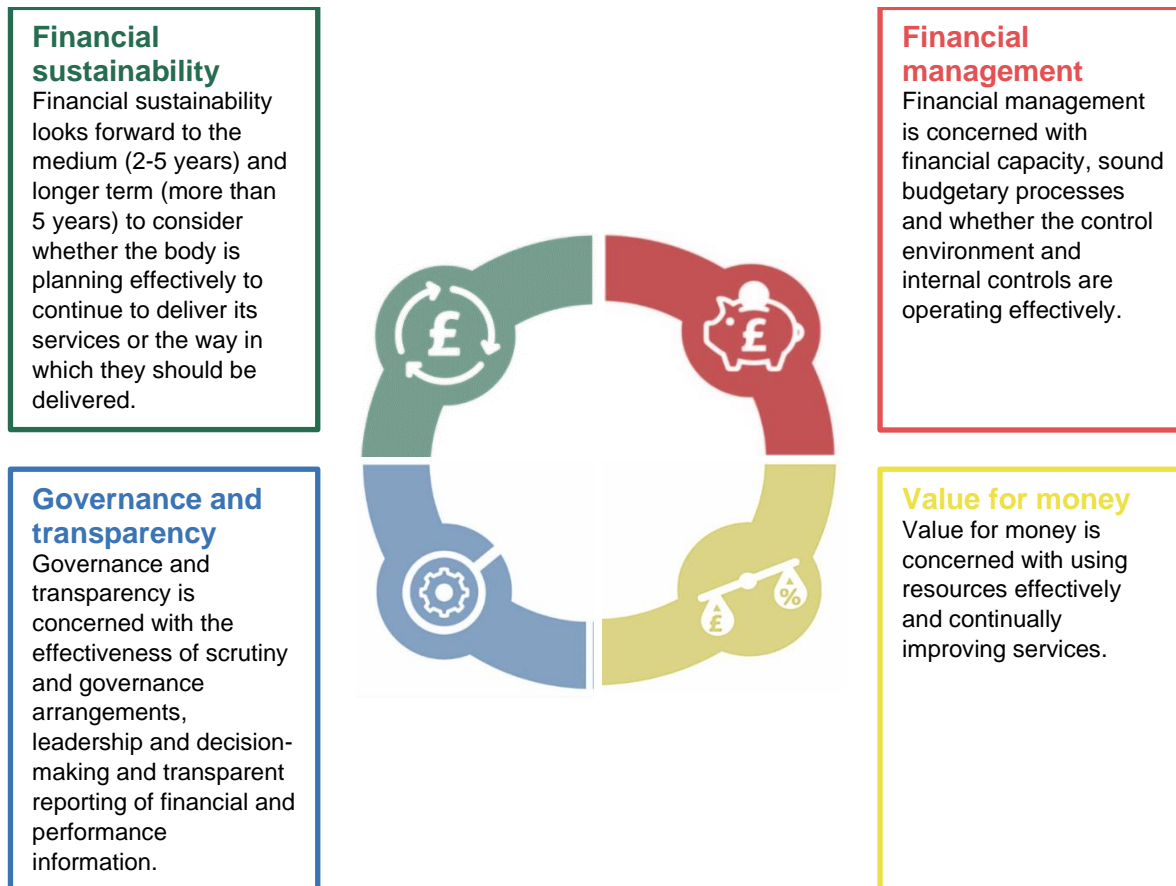
Wider scope audit work

14. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider

perspective than in the private sector. This means providing assurance, not only on the financial statements, but on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

15. The Code of Audit Practice sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

Exhibit 1: Audit dimensions within the Code of Audit Practice



16. We have concluded that application of the full wider scope is appropriate at the Board.
17. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist. Communication by Azets of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Board responsibilities

18. The Board has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board's responsibilities are summarised in Exhibit 2.

Exhibit 2: Board responsibilities

Area	Board responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none">• preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures;• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;• maintaining proper accounting records; and• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements.
<p>Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none">• Such financial monitoring and reporting arrangements as may be specified;• Compliance with statutory financial requirements and achievement of financial targets;• Balances and reserves, including strategies about levels and their future use;• How the organisation plans to deal with uncertainty in the medium and long term; and• The impact of planned future policies and foreseeable developments on the financial position.

Area	Board responsibilities
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Board is responsible for ensuring that financial affairs are conducted in a proper manner. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance.</p> <p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Governance and transparency: 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.</p>	<p>The Board, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

Audit strategy



Audit strategy

Risk-based audit approach

19. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that

our audit focuses on the areas of highest risk. Our audit planning is based on:



20. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

Communication with those charged with governance

21. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the Board that these communications will be through the Audit and Risk Committee.

Professional standards and guidance

22. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK (ISAs (UK))), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

Partnership working

23. We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration

of service delivery and partnership working with the public sector.

Audit Scotland

24. Although we are independent of Audit Scotland and are responsible for forming our own views and opinion, we do work closely with Audit Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
25. Audit Scotland undertakes national performance audits on issues affecting the public sector. We review the Board's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

Sharing intelligence for health and social care

26. The Sharing Intelligence for Health and Social Care Group enables seven national agencies² to share and consider intelligence about the quality of health and social care systems

² The seven national agencies referred to are: Healthcare Improvement Scotland, NHS Education for Scotland, the Care Inspectorate, Audit Scotland, the Scottish Public Services Ombudsman, the Mental

across Scotland. The aim of the group is to support improvement in the quality of health and social care. When any of the agencies has a potentially serious concern about a health and social care system, the group ensures this is shared and acted upon appropriately.

27. The National Waiting Times Centre Board was last considered by the group in June 2021. Based on the discussions at the meeting, the group agreed, at that time, there were no actions beyond those already planned that any of the seven national agencies needed to take.
28. Through our involvement with the Sharing Intelligence for Health and Social Care Group and enquiry of Board management as part of our initial planning discussions, we have not identified any other inspection work planned for 2021/22 which is directly relevant to our audit, other than the work of internal audit and Audit Scotland. We will monitor this situation over the course of 2021/22 and update our plans as necessary.

Internal Audit

29. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to the Board is used efficiently and effectively.

Welfare Commission for Scotland, and Public Health Scotland.

Shared systems and functions

30. Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and sharing audit findings. The Board also uses the National Single Instance (NSI) e-financials service (financial ledger services hosted by NHS Ayrshire and Arran). The Board uses NHS Greater Glasgow and Clyde for payroll services. The appointed auditors to these organisations will share with us their findings on work carried out on those systems.

COVID-19 – impact on our 2020/21 audit strategy

31. The COVID-19 pandemic has had, and continues to have, a significant and profound effect on every aspect of Scottish society.
32. We appreciate that different organisations have been impacted differently by COVID-19, as have finance teams, and some organisations are better set up for remote working. We also know that plans can change quickly and it only takes the absence of one key member of staff from a finance team to have a big impact. Equally our own teams may also be impacted by the pandemic. The wellbeing of our clients and our staff is paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance.

Remote working

33. As we continue to follow Scottish Government guidelines and

acknowledge the Board's working arrangements, we are operating on the basis that we will carry out a 'hybrid' audit in 2021/22. We have the following arrangements in place to support the 'remote' aspects of our audit:

- All of our people have the equipment, technology and systems to allow them to work remotely, including secure access to all necessary data and information.
- All of our staff are fully contactable by email, phone call and video-conferencing.
- All meetings are now held over Skype, Microsoft Teams or by telephone.
- We are keeping all of our staff fully up to date with the latest government guidance in order to keep everyone as safe as possible.

34. If resourcing levels in any part of our business are compromised due to illness or inability to work, we will refocus our teams as necessary to deliver to deadlines. Our teams are holding regular catch ups to allow us to re-prioritise workloads as necessary.

Secure sharing of information

35. We use a cloud-based file sharing service that enables users to easily and securely exchange documents.

Audit evidence

36. Working remotely, does unfortunately result in the audit team requesting audit evidence which we would have previously obtained through other means, for example, face to face meetings or access to systems and client premises.

- 37. Where required we will consider other ways in which we can obtain audit evidence or carry out alternative audit procedures.
- 38. We will employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.
- 43. We will use DocuSign (electronic signatures) for signing the annual report and accounts. Annual accounts signed electronically are acceptable for laying in Parliament.
- 44. Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high quality PDF version of the accounts.

Regular contact

- 39. During the 'fieldwork' phase of our audit, we will look to agree regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Audit reporting

- 40. It may be that the current circumstances lead to more modified opinions in auditor's reports, than would typically have been the case in previous years.
- 41. Where necessary, we will engage with the Audit and Risk Committee to explain the implications of our proposed report and consider whether there are other procedures that could be undertaken, at a future point yet to be determined, which could mitigate any modification either fully or in part.
- 42. Sufficient time should be set aside by the Audit and Risk Committee to allow for comprehensive, complete and informed communication with the auditor. This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.

Annual report and accounts



Annual report and accounts

Introduction

45. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the Board's annual report and accounts.
46. The annual report and accounts of the Board comprise the financial statements, the performance report and the accountability report.

Approach to audit of the financial statements

47. Our opinion on the financial statements will be based on:

Risk-based audit planning

48. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risks relating to each of the key systems on which the financial statements will be based.

Accounting systems and internal controls

49. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
50. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and Board's own policies and procedures.

51. We will take cognisance of any relevant internal audit reviews of systems and controls.
52. Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal controls change. Potential areas of risk include:
 - Public sector staff working under extreme pressure leading to some internal controls being suspended or relaxed;
 - Procurement fraud or, normal controls being relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers;
 - Weakened governance arrangements;
 - Admin and finance staff being redeployed to operational areas; and
 - Staff working remotely may pose potential security risks e.g. when using personal devices and/or using removable devices to download data.
53. We will update the risk assessment following our evaluation of systems and controls, considering the impact the pandemic has had on the Board's accounting systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.
54. This work is not for the purpose of expressing an opinion on the effectiveness of internal controls. We will report to the Board significant deficiencies in internal controls that we

identify during the audit. These matters will be limited to those which we conclude are of sufficient importance to merit being reported. The scope of our work is not designed to be an extensive review of all internal controls.

Prevention and detection of fraud or error

55. We plan our audit in such a way as to obtain reasonable assurance of detecting material misstatements in the financial statements resulting from fraud or error.
56. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
57. We will assess the susceptibility of the Board's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
 - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
58. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be

relied upon for this purpose. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Laws and regulations

59. We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact the financial statements. Our audit procedures include the following:
 - Identification of the laws and regulations applicable to the Board through enquiries with management, and from our knowledge and experience of the Board and sector;
 - A focus on specific laws and regulations which we consider may have a direct material effect on the financial statements or the operations of the Board;
 - Reviewing minutes of relevant meetings;
 - Enquiring of management and the Board's legal representatives the position in relation to litigation, claims and assessments; and
 - Performing detailed testing of transactions and balances.
60. There are however inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

A final audit of the financial statements

61. During our final audit we will test and review the material amounts and

disclosures in the financial statements. The extent of testing will be based on our risk assessment.

62. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the HM Treasury Financial Reporting Manual 2021/22 (FReM) and the Accounts Directions issued by Scottish Ministers.
63. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

Independent auditor's report

64. Our opinion on whether the financial statements give a true and fair view of the financial position and net expenditure and of the regularity of transactions will be set out in our

independent auditor's report which will be included in the annual report and accounts.

65. We also provide an opinion on the audited part of the remuneration and staff report, governance statement and performance report.

Group audit

66. The Board prepares its annual report and accounts on a group basis. The group consists of the Board and the Endowment Fund.
67. As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group:

Component	Significant	Level of response required
National Waiting Times Centre Board	Yes	Comprehensive
Golden Jubilee Foundation (Registered as National Waiting Times Centre Board Endowment Fund)	No	Analytical

Comprehensive - the component is of such significance to the group as a whole that an audit of the components financial statements is required for group reporting purposes

Analytical - the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

68. Azets is the appointed auditor to the Endowment Fund. We will liaise with the audit engagement team in order to confirm that their programme of work is adequate for our purposes.

Materiality

69. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
70. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or group of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
71. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
72. Our initial assessment of materiality and performance materiality is set out in the table below:

	Group £m	Board £m	Explanation
Overall materiality for the financial statements	1.6	1.6	<p>Our initial assessment is based on approximately 1.5% of the Board's core Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for the Board and one of the principal considerations for the users of the financial statements when assessing financial performance.</p> <p>We have set materiality for both the Group and the Board at the same levels given our assessment and approach to the group audit. We have concluded that the Endowment Fund is not significant to the overall group.</p> <p>In performing our audit we apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.</p>
Performance materiality	1.2	1.2	Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.

	Group £m	Board £m	Explanation
Trivial threshold	0.08	0.08	<p>We will report any misstatements identified through our audit that fall into one of the following categories:</p> <ul style="list-style-type: none"> • All material corrected misstatements; • Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and • Other misstatements below 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the financial statements

73. Auditing standards require that we inform the Audit and Risk Committee of our assessment of the risk of material misstatement in the financial

statements. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit and Risk Committee if our assessment changes significantly during the audit.

Exhibit 3 – Key audit risks in the financial statements


Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

74. In response to this risk we will review the Board's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the financial statements are indicative of potential bias.


Revenue recognition

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Board could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

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75. In respect of the Board's revenue resource allocation from Scottish Government, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate this revenue stream. However, the risk of fraud in relation to revenue recognition is present in all other revenue streams.
76. We will evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.

Risk of fraud in the recognition of expenditure

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.


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77. In response to this risk we will evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing). We will consider the Board's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Asset valuations (significant accounting estimate)

The Board, in accordance with its accounting policies, obtains an external valuation of all land and building assets on an annual basis. The valuations are carried out in accordance with the RICS Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

In 2020/21, the valuation report, issued by an external valuer, provided assurance that, *“whilst the pandemic continues to affect economies and global markets, property markets have started to function again and, as a result, the valuation as at 31 March 2021 is not subject to a material valuation uncertainty; with the exception of the Hotels sector.”* The valuation of the Golden Jubilee Conference Hotel which comprises part of the Board’s asset portfolio was therefore reported as being subject to ‘material valuation uncertainty’. We included an emphasis of matter paragraph in our independent auditor’s report on the 2020/21 financial statements to draw attention to this.


There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the Board’s asset base represents an increased risk of misstatement in the financial statements.

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78. We will carry out audit work to ensure that land and building assets have been recorded in the financial statements in accordance with the Board’s accounting policies and have been accounted for appropriately. We will review asset valuations and confirm that the Board has completed an assessment for impairment across its portfolio of assets and that the outcome from that assessment has been appropriately reflected in the financial statements.
 79. We will consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the external valuer against external sources of evidence. In addition to this we will consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Provisions (significant accounting estimate)

The Board in its financial statements includes provisions for legal obligations in respect of clinical and medical obligations and participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme).

There is a significant degree of subjectivity in the measurement and valuation of these provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

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80. We will focus our audit testing on provisions where values and balances are derived by valuation and estimation.
 81. We will review management's methods and underlying assumptions used to calculate the provisions, ensuring these are appropriate and accurately reflect the Board's obligation as at the year-end. We will carry out audit work to ensure that provisions are recorded in line with the FReM and the Board's accounting policies and have been accounted for appropriately.
 82. Where management has engaged an expert (for example the Central Legal Office) we will consider the competence, capability and objectiveness of that expert in line with ISA (UK) 500 Audit Evidence.

Other risk factors

pertain to the audit and will adapt our audit approach as required.

Impact of COVID-19 on the financial statements

83. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the financial statements. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
84. We continue to monitor government and relevant announcements as they

Accounting estimates

85. Changes to ISA (UK) 540 - Auditing Accounting Estimates and Related Disclosures which is applicable for accounting periods beginning on or after 15 December 2019 places increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.
86. As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts, and accruals. Other than asset valuations and provisions for legal obligations, we have not determined the accounting estimates to be significant. We will however revisit our assessment during the fieldwork and completion stages of our audit.

The performance report, accountability report and other information

87. The HM Treasury Government Financial Reporting Manual 2021/22 sets out the content required within the annual report and accounts.
88. HM Treasury issued an addendum to the Government Financial Reporting Manual in 2019/20 and 2020/21 which permitted bodies to omit the performance analysis section of the Performance Report. This addendum does not apply in 2021/22 and full compliance with the Government Financial Reporting Manual is expected.
89. In addition to presenting our opinions over the financial statements our independent auditor's report will also present our opinion on the other aspects of the annual report and accounts:

Other information

90. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report thereon. We do not express any form of assurance

conclusion on the "other information" except as specifically stated below.

91. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report.

The performance report

92. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

The accountability report

93. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:
 - A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
 - A remuneration and staff report setting out staff numbers and costs as well as the entity's

remuneration policy for directors
and the remuneration awarded to
directors.

- A parliamentary accountability
report disclosing the regularity of
expenditure and other
parliamentary accountability
requirements.

94. Our independent auditor's report will
confirm whether in our opinion the
governance statement and the audited
part of the remuneration and staff
report have been properly prepared
and are consistent with the financial
statements.

Wider scope audit



Wider scope audit

Introduction

95. As described previously, the Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money.

96. Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon the understanding of the Board's key priorities and risks which we developed from previous years, along with discussions with management and review of committee minutes and key strategy documents.

97. As outlined in the Scottish Public Finance Manual, accountable officers have a specific responsibility to ensure that arrangements are in place to secure best value in public services. Audit Scotland has requested that, at least once during the term of our audit appointment, we carry out work on the Board's arrangements relating to the best value them of fairness and equality. We will consider this in the context of our wider scope audit work in 2021/22 and include commentary in our annual audit report as appropriate.

98. We have identified one significant risk in relation to financial sustainability (Exhibit 4). We have not, at this stage, identified any significant risks in relation to the other dimensions.

99. Audit planning however is a continuous process and we will report

all identified significant risks, as they relate to the four dimensions, in our annual audit report. Exhibit 5 summarises our audit work in respect of each dimension.

Exhibit 4 – Wider scope significant risk

Financial sustainability

Prior to the Covid-19 pandemic, the Board prepared annual operational plans. However, due to the impact of the pandemic, the Scottish Government paused the annual operating and financial planning processes. The 2021/22 Annual Operational Plan was replaced by a Remobilisation Plan (RMP). The RMP builds on the Board's Recovery Plans which were submitted to Scottish Government throughout 2020/21. The financial component of the RMP is a one-year financial plan with the aim of supporting the wider NHS Scotland health recovery agenda. The financial plan assumes full funding for remobilisation costs in addition to recurring core base line funding and funding to support the Board's expansion programmes.

Future operational plans will cover a three-year period. This will enable a more strategic approach to planning and support programmes of service transformation, aligned with the NHS Recovery Plan and the Care and Wellbeing Portfolio. The Scottish Government has intimated that these three-year plans will take the form of a Recovery Plan for the period 2022-25. They will encompass a relatively high-level narrative setting out key priorities for recovery and transformation within this period, and how these contribute to national priorities, underpinned by an Annual Delivery Plan (ADP).

In recognition of the pressures that Boards are currently working under, and the high level of uncertainty and volatility that remains in the system, these three-year plans are scheduled for submission at the end of July 2022. Financial planning will also cover a three-year cycle. Scottish Government will use the quarter one review in 2022-23 as an opportunity for Boards to refresh their financial plans to align with the three-year operational plans.

The Board will continue to face challenges, over this three-year period, in achieving a balanced financial position in view of the planned service developments combined with the Board's contribution to the ongoing NHS Scotland health recovery agenda. The Board's ability to develop and maintain services in a sustainable manner remains at risk and requires continuing careful management and oversight.


- 
100. During our audit we will continue to review whether the Board has appropriate arrangements in place to manage its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the wider NHS Scotland health recovery agenda and that continue to support the delivery of the Board's statutory functions and strategic objectives.

Exhibit 5 - Our audit approach to the wider scope audit dimensions



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

Consideration

As noted in Exhibit 4.

In 2020/21, we concluded that the Board has appropriate arrangements in place for managing its financial position.

The Board also relies on income from other health boards, the Golden Jubilee Conference Hotel and research activities to achieve financial balance.

A key principle of the Board's Remobilisation Plan is that capacity will be directly funded in full. Funding is allocated to the Board and there are no fixed / marginal cost contributions across Boards.

The Golden Jubilee Conference Hotel (GJCH) is assuming an 18-month recovery period before any longer-term strategic planning can be undertaken with certainty. The future strategy will reflect the GJCH's role in supporting further expansion of the NHS Golden Jubilee portfolio including services provided through the National Hospital and Elective Centre, and developments such as the NHS Scotland Academy and Innovation Accelerator.

Capital plans extend out to five years. The capital plan outlines significant capital investment in property, plant and equipment over the next five years, totalling c.£86million. Of that total, c.£63million relates to the major expansion plans.

Our audit approach

During our 2021/2022 audit we will update our assessment of the Board's financial standing. This will involve a review of the arrangements in place for developing short, medium and long term financially sustainable plans that continue to support the delivery of the Board's statutory functions and strategic objectives.



Financial management

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

Consideration

As at month 8, November 2021, the Board reported a surplus position of £388,000. The Board forecast an efficiency savings gap of £1.343million (against its annual efficiency savings target of £4.044million). This remains an area of continued focus to drive forward additional efficiencies. The Board however continue to forecast a break-even position for the year.

To support the delivery of its RMP, the Board has identified a funding requirement (revised and as reported in RMP 4) of £11.968million.

The NHS Scotland Academy Business Case was approved in July 2021. The business case identified 2021/22 indicative investment of £2.063million for revenue costs and £2.351million for associated capital costs (total funding across the Board and NHS Education for Scotland). Revised 2021/22 anticipated funding of £0.745million revenue has been incorporated into the funding requirement as set out in RMP 4. Discussions have taken place with the Scottish Government on the deferral of capital funding into 2022/23.

The core capital allocation for the Board remains at £2.691million, the funding associated with the elective centres per the business case was c£32million, however this is being revised

Our audit approach

During our 2021/22 audit we will review, conclude and report on the following:

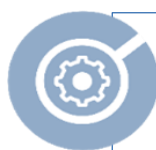
- The achievement of financial targets;
- Whether the Board can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether the Board has arrangements in place to ensure systems of internal control are operating effectively;
- Whether the Board has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and
- Participation and progress in the National Fraud Initiative³.

³ We are required to complete a questionnaire and submit this to Audit Scotland by 28 February 2022. The information provided will be used in Audit Scotland's next NFI report, due to be published in summer 2022.

Consideration

Our audit approach

currently and anticipated to be in the region of £22million, with a greater phasing in the financial year 2022/23. The Board is currently in discussions with the Scottish Government regarding the spend for phase two together with the potential to obtain further national funds to progress or bring forward capital plans, following national requests for further bids.



Governance and transparency

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.

Consideration

Agile governance structures and robust frameworks have been developed and revised during the COVID pandemic response, supported with the embedding of the 'Values' across the Board. This has been carried out to provide confidence in the risks taken in the development and execution of the remobilisation and wider Board Strategy.

The Board's core work programme has seen significant change over the last couple of years. Work continues with the Recovery Plan and the Hospital Expansion Programme has made significant progress with the completion of Phase 1 and continuing work on Phase 2.

The wider portfolio also continues to expand with a number of strategic programmes underway. This includes the establishment of the NHS Scotland Academy, the augmentation and implementation of the Centre for Sustainable Delivery (CfSD) and the programme of work associated with the development of the NHS Scotland National Innovation Accelerator.

To ensure the Board can monitor, scrutinise, challenge and support these activities, a new Strategic Portfolio Governance Committee was established (from January 2021). This committee advises and provides assurances to the Board on the development and implementation of the Board Strategy and expanding Board portfolio.

Our audit approach

As part of our work on governance and transparency in 2021/22 we will review, conclude and report on:

- Whether the Board can demonstrate that the governance arrangements in place are appropriate and operating effectively;
- The transparency of decision-making, financial reporting and performance data; and
- Reasonableness and consistency of the governance statement in relation to other information gathered during our audit.

We will review the effectiveness of the governance arrangements over the new strategic programmes (principally, the NHS Scotland Academy and CfSD).



Value for money

Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

Consideration

The Board continues to support the Scottish Government's NHS Scotland Recovery Plan. This includes the expedited expansion plans, the ongoing Phase 2 National Treatment Centre expansion; work to develop and expand diagnostic services including endoscopy locally and nationally; continued development of the NHS Scotland Academy and Centre for Sustainable Delivery in support of accelerated workforce development, innovation and redesign; and a collaborative approach to supporting boards and NHS Scotland more generally to manage ongoing pressures at this time.

The Centre for Sustainable Delivery (CfSD) was established to support the Care Programmes and enable NHS Boards to adopt the Remobilise, Recover and Redesign approach through sustainable transformation programmes. The CfSD, hosted by the Board, brings a range of national, high impact programmes of work under one umbrella with a focus on supporting the existing national direction of travel to high levels of quality, outcomes and performance.

The Board and NHS Education for Scotland have formed NHS Scotland Academy, a national joint venture that will support the implementation of NHS Scotland's Recovery Plan. The initial focus of the Academy is supporting the immediate workforce priority needs of NHS Scotland, including the acceleration of the appointment of at least 1500 additional staff to National Treatment Centres, and responding to the workforce needs created by the proposed 10%

Our audit approach

The COVID-19 pandemic continues to have had a substantial impact on performance. We will review performance reporting in 2021/22 to ensure it is timely, reliable, balanced, transparent and appropriate to user needs.

We will review evidence which demonstrates the achievement of value for money in the use of its resources.

Consideration

Our audit approach

increase in inpatient, day case and outpatient activity to address the delays in treatment across Scotland as a result of the pandemic.

Audit outputs, timetables and fees



Audit outputs, timetable and fee

Audit outputs

The submission deadline for annual accounts is provisional but is set to be consistent with the administrative deadline set by the Scottish Government. This is normally 30 June but has been provisionally set at 31 August for 2021/22.

We have set out below target months which align to the Board's 2022 schedule of Committee and Board meetings. We will aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues as a result of the pandemic.

Audit output	Description	Target month	Deadline for submission to Audit Scotland
External audit plan	This report sets out the scope of our audit for 2021/22.	February 2022 ⁴	28 February 2022
Independent Auditor's Report	This report will contain our opinion on the financial statements, the audited part of the remuneration and staff report, annual governance statement and performance report.	June 2022	31 August 2022
Annual Report to the Board and the Auditor General for Scotland	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	June 2022	31 August 2022

101. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.

102. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review

⁴ The External audit plan was agreed with management in February 2022. However, the plan was considered by the Audit and Risk Committee at its scheduled meeting on 1 March 2022.

progress against the action plans on a regular basis.

Audit fee

103. Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
104. As auditors we negotiate a fee with the Board during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
105. For 2021/22 we propose setting the audit fee at the expected fee level.

	2021/22	2020/21
Auditor remuneration	£61,410	£60,130
Pooled costs	£6,890	£6,740
Contribution to Audit Scotland costs	£3,030	£3,090
Total fee	£71,330	£69,960

106. We will take account of the risk exposure of the Board and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft

accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit timetable

107. A summary timetable, including audit outputs, is set out as follows:

FEB 22	●	Planning meeting to inform the 2021/22 audit
MAR 22	●	Presentation of External Audit Plan to the Audit and Risk Committee
MAY 22	●	Accounts presented for audit and final audit visit begins
JUN 22	●	Presentation of our Annual Report on the Audit to the Audit and Risk Committee

Appendices



Appendix 1: Azets

Azets deliver accounting, tax, audit, advisory and business services, digitally and locally.

With over 6,500 advisers and specialists across our office network, we help people and organisations of all shapes and sizes save time, work smarter and achieve their goals. Our job is to give you the support you need so you can focus on what you do best.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Your audit management team



Nick Bennett

Audit Partner

nick.bennett@azets.co.uk

Nick has over 30 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged both by clients and by other professionals involved right across the public sector.

Nick will have overall responsibility for the delivery of the audit.



Karen Jones

Director

karen.jones@azets.co.uk

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.

Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services are provided to the Board.

We have detailed in the table below the non-audit services provided to the wider group, the threats to our independence and the safeguards we have put in place to mitigate these threats.

Non-audit service	Type of threat	Safeguard
Preparation of financial statements	Self-review Management threat	Management to sign and approve all adjustments made to the financial statements. Whilst the preparation of the statutory financial statements is carried out by members of the audit team, it is reviewed by a reviewer separate from the audit team.

The approximate total fees charged to the Group for the provision of services in 2021/22 is as follows:

	Current year £
Audit of National Waiting Times Centre Board (Auditor remuneration)	61,410
Audit of components (as audited by Azets)	10,290
Total audit	71,700
Non-audit services – wider Group (incorporated into audit fee above)	-
Total fees	71,700

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

In October 2020, the Auditor General extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide continuity and stability in the current challenging environment. The FRC's Ethical Standard states that careful consideration must be given once an audit engagement lead has held the role for a continuous period of ten years. Our period of total uninterrupted appointment as at the end of 31 March 2021 was 10 years. As such to mitigate the threat to auditor independence as result of long association, and in accordance with guidance from Audit Scotland, Chris Brown is no longer the audit engagement lead. Nick Bennett is now the Board's Engagement Lead.

Appendix 3: Statement of understanding

Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of National Waiting Times Centre Board (the “Board”) and Azets.

Annual report and accounts

We require the annual report and accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Board staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together to deliver an efficient and effective audit.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

Representations

As auditors we do not act as a substitute for the Board’s responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Board during the course of the audit on matters having a material effect on the annual report and accounts. This will take place by means of a letter of representation, which will require to be signed by the Accountable Officer.

Internal audit

It is the responsibility of the Board to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if he knows or suspects that any person has engaged in money laundering or terrorist financing.

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants in England and Wales.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Agreement of terms

We shall be grateful if the Audit and Risk Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



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