

External Audit Report for NHS Dumfries and Galloway

Financial year ended 31 March 2021

Prepared for the Board of NHS Dumfries and Galloway and the
Auditor General for Scotland

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Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This table summarises the key findings and other matters arising from the statutory audit of NHS Dumfries and Galloway ('the Board') and the preparation of the group and Board's financial statements for the year ended 31 March 2021 for those charged with governance and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Board's financial statements give a true and fair view of the financial position of the group and Board and the group and Board's net expenditure for the year;
- the group and Board's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (FRM), alongside the NHS Manual for Accounts;
- the group and Board's financial statements and the audited parts of the Remuneration Report and Staff Report have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

We are also required to report whether other information published together with the audited financial statements in the Annual Report and Accounts, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We are required to express an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Our audit work was completed remotely during May and June 2021. We have identified 3 unadjusted misstatements to the financial statements that have a net impact of £546,000 debit to the Statement of Consolidated Comprehensive Net Expenditure for the year. Audit adjustments are detailed in Appendix 1 which also includes disclosure corrections identified during our testing. We have also raised recommendations for management as a result of our audit work in Appendix 2. Our follow up of recommendations from the prior years' audit are detailed in Appendix 3 and Appendix 4.

We conclude that the Remuneration Report and Staff Report, subject to audit, has been prepared in accordance with requirements and is materially correct. Within our audit testing we did not identify any non-compliance with laws and regulations and our regularity opinion is unmodified.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our audit opinion (audit report) is unmodified.

Executive Summary

Wider scope audit

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code of Audit Practice requires auditors to consider the Board's arrangements in respect of the wider dimensions of public audit covering: financial management; financial sustainability; governance and transparency; and, value for money.

In our Annual Audit Plan for the year ended 31 March 2021 we documented our assessment of wider scope risks and planned audit work. Through our audit procedures we have not identified any further wider scope risks. In accordance with the Code, we outline the work undertaken in response to the risks and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

Financial Management

The Board operated within its financial resource targets, achieving this while operating in a period of considerable uncertainty and whilst responding to the operational and financial challenges in managing the impact of Covid-19 on service delivery. The Board received a total Covid-19 funding allocation of £31.1 million from Scottish Government ("SG") for 2020/21. This included funding for costs incurred by both the Board and the Health and Social Care Partnership. NHS Dumfries and Galloway agreed an additional payment to the Integration Joint Board (IJB) of £29.9 million to cover the IJB's unachieved savings in 2020/21.

At the start of 2020/21, the Board had a savings target of £26.6 million, with an initial savings plan including £11.1 million identified savings for delivery in year. However, as a result of Covid-19, plans were paused and SG provided additional finance to support gaps in savings plans and also provide resource to implement the services required for a Covid-19 response. Of the opening savings target of £26.6 million, £3.4 million of savings were delivered, £1.2 million of which were recurring. A significant savings gap of £25.4 million has therefore been carried forward into 2021/22.

Financial Sustainability

The estimated financial gap for 2021/22 is £31.2 million and includes the brought forward savings gap of £25.4 million from 2020/21. It also includes a 9.73% savings target for the Board as well as including savings associated with the services delegated to the IJB. Savings of £15.2 million have been captured in the one year financial plan and include £5.2 million of recurring savings (including £3.9 million savings in relation to prescribing costs) and £10.0 million of non-recurring savings (including £2.5 million savings in relation to workforce and £6.0 million in relation to non-recurring flex). There is therefore an underlying in-year identified savings gap of £16m. NHS Dumfries and Galloway have shared their one year plan for 2021/22 with SG. SG issued a letter to the Board in May 2021, noting that the Board's one-year plan indicated a significant challenge in terms of delivering breakeven against baseline position, with £16 million of savings still to be identified against a savings challenge of £31.2 million. They also noted that a savings forecast at this level is significantly higher than the level currently anticipated by other territorial health boards which would indicate a high level of risk to delivering financial balance, and indicated long term sustainability risks. They have requested that the Board continue to update SG in terms of the progress with the in-year financial plan, in particular what steps are required – both on a recurring and non-recurring basis – to close the current £16 million savings deficit and to understand what further work has been undertaken through the Sustainability and Modernisation Programme.

Governance and transparency

The Risk Management Strategy was presented to the Board on 12 April 2021 and approved. Following the establishment of the Risk Management Strategy, a full review has been undertaken to ensure it complies with all local and national legislation around risk management. The strategy has been through a series of consultation sessions with staff and Board Members were sighted in its draft stage before it was finalised for approval. Risk Management training was delivered to circa 100 Senior Managers and Key Risk Contacts across all Board directorates. Three Board workshops took place in April and May 2021 to provide Board level risk training, Corporate Risk Register review and Board Risk Appetite review and update.

Executive Summary

Wider scope audit (continued)

Temporary governance arrangements were agreed by the Board and in effect from April 2020 to enable the Board to respond appropriately to COVID-19. Changes to arrangements included Board meetings being held remotely to assist in compliance with the social distancing requirements. Initially Board meetings were held in private and therefore did not support openness and transparency. This was a temporary measure and upon receipt of the nationally agreed approach to public accessibility to meetings, agreement was sought from SG and NHS Board members to record public Board meetings from November 2020 and upload the recording to the Board's website as soon after the meeting concluded as possible.

All Board governance committees were suspended in April 2020, with any urgent items being considered directly by the Board. The Audit and Risk Committee, Healthcare Governance Committee and Staff Governance Committee (including Remuneration Sub-Group) were reinstated from 1st June 2020 on a "governance lite" format, similar to the approach taken on other health boards. This was to recognise the challenges with workload and capacity within NHS Dumfries and Galloway, whilst acknowledging that the Board needed assurance on the appropriate management and delivery of health services at each stage of the pandemic. This "governance lite" approach continues, with the exception of the Healthcare Governance Committee which returned to full governance in March 2021.

Value for money

The cost of agency staff reduced during 2020/21, from £12.3 million in 2019/20 to £10.3 million in 2020/21, a reduction of £2.0 million (16%), as a result of elective procedures being suspended due to COVID-19. However, recruitment to medical vacancies has remained a significant challenge for the Board, with the average level of vacancy for NHS consultants continuing to remain above 20%. There has also been a rise in the level of gaps across the junior doctor rotas (especially within GP training posts) which are not expected to be remedied in 2021/22. This is an increasing challenge across Scotland and the UK as a whole. An assessment of the additional cost of medical locum provision has been included within the Financial Plan, along with assumptions of reducing cost and demand with the investment of a new permanent recruitment project. Containment of locum and agency costs remains a priority for NHS Dumfries and Galloway.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2021 at NHS Dumfries and Galloway. The scope of our audit was set out in our External Audit Plan which was shared with the Audit and Risk Committee on the 18 March 2021.

The main elements of our audit work in 2020/21 have been:

- An audit of NHS Dumfries and Galloway's annual report and accounts for the financial year ended 31 March 2021;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code') covering: financial management; financial sustainability; governance and transparency and value for money;
- Monitoring NHS Dumfries and Galloway's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

Responsibilities

NHS Dumfries and Galloway is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit 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.

Adding value through our audit work

We aim to add value to management and those charged with governance through our external audit work. We seek to provide constructive recommendations designed to support management to mitigate areas of risk and strengthen the organisation's control environment. Through our wider scope work and interactions, including at Audit and Risk Committee meetings, we seek to help the organisation identify and promote good practices whilst supporting improvements across the wider scope audit dimensions.

Audit of the annual report and accounts

Key messages and judgements

We have issued an **unmodified** audit opinion on the annual report and accounts.

We have identified 3 unadjusted misstatements to the financial statements that have a net impact of £546,000 debit to the Statement of Consolidated Comprehensive Net Expenditure for the year. Audit adjustments are detailed in Appendix 1.

We have also raised recommendations for management as a result of our audit work in Appendix 2.

Our audit opinion

For the financial year ended 31 March 2021 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration report and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

In accordance with our annual external audit plan our audit work commenced on 3rd May 2021. We received the draft primary financial statements in line with our agreed timetable which management had prepared based on the Scottish Government Health and Social Care Directorate template accounts.

There were 5 adjustments to the draft primary financial statements. This included an adjustment due to a late decision between Scottish Government and Audit Scotland, which resulted in NHS Dumfries and Galloway accounting for expenditure in relation to certain personal protective equipment and community testing kits, with a corresponding associated RRL. This did not impact on the financial outturn of the Board. There were 3 unadjusted misstatements to the accounts. We also identified a small number of disclosure adjustments in respect of the draft financial statements. A full listing of adjusted and unadjusted misstatements is detailed in Appendix 1.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our Audit Plan communicated to the Audit and Risk Committee on 18 March 2021. We updated our audit materiality to reflect the 2020/21 draft financial statements. Materiality was set at £8.05 million for the Group (Board only: £8.02 million), representing 1.75% of gross expenditure. Performance materiality was set at £5.64 million for the Group (Board only: £5.62 million), representing 70% of our calculated materiality.

We report to management any difference identified over £250,000 (trivial capped at £250,000 by Audit Scotland).

We applied a lower materiality threshold for disclosures within the Remuneration Report and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000).

Service auditors report

NHS Dumfries and Galloway utilise a number of shared IT systems, IT applications and processes with other Scottish health boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements. The BDO service auditor report over National Single Instance (NSI) eFinancials was unqualified in 2020/21, consistent with 2019/20. During 2019/20 the service audit reports from KPMG on NSS Payroll Services, IT Services (National IT contract for services provided by ATOS Origin Alliance supporting eFinancials) and Payments to Primary Care Contractors were qualified however there has been improvement in the Service Audit Performance in respect of two out of the three services in 2020/21, namely:

- Payroll – unqualified opinion
- IT – unqualified opinion, with an emphasis of matter to highlight the additional matters taken into consideration by the Service Auditor to achieve that opinion, and improvements required.

However a qualified opinion was once again issued in relation to Payments to Primary Care Contractors in 2020/21.

Service auditors report (continued)

Management have disclosed the qualification in the Annual Governance Statement but do not consider the control deficiencies identified have an impact on the accuracy of the financial statements.

We adopt a fully substantive audit approach and therefore while we consider the findings from the Service Auditor reports and the impact on our audit procedures, we do not place direct reliance on their work. From consideration of the reports we are therefore satisfied that the qualified opinions do not impact on our audit work.

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Board's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

NHS Dumfries and Galloway's financial performance during 2020/21

NHS Dumfries and Galloway delivered a break-even position in 2020/21, achieving a small surplus of £78,000 against its resource limits. A breakeven position was also achieved against the capital resource limit set, with a small surplus of £94,000 being achieved against its resource limit.

However, despite realising a small surplus position, NHS Dumfries and Galloway continue to operate within a challenging financial environment. The Board had a savings target of £26.6m at the start of 2020/21, with an initial savings plan of £11.1m identified for delivery in year. However, as a result of Covid-19, plans were paused and Scottish Government ("SG") provided additional finance to health boards to support gaps in savings plans and also provide resource to implement the services required for a Covid-19 response. Of the opening savings target of £26.6 million, £3.4 million of savings were delivered, £1.2 million of which were recurring. A significant savings gap of £25.4 million has therefore been carried forward into 2021/22.

	Resource Limit £'000	Outturn Expenditure £'000	Variance [over]/under £'000
Revenue resource limit – core	415,303	415,225	78
Revenue resource limit – non-core	9,363	9,363	-
Capital Resource Limit	4,204	4,110	94

NHS Dumfries and Galloway's financial performance during 2020/21 - The Impact of Covid-19

NHS Dumfries and Galloway received a total Covid-19 funding allocation of £31.1 million from SG for 2020/21. This included funding for costs incurred by both the Board and the Health and Social Care Partnership. SG allocated an additional £100.0 million to Integration Joint Boards in January 2021 as a result of the ongoing uncertainty due to the pandemic and Dumfries and Galloway Integration Joint Board was allocated an additional £3.1 million of funding as a result of this decision (the additional funding of £3.1 million being included within the total funding allocation of £31.1 million described above). NHS Dumfries and Galloway also agreed to make an additional payment to the Integration Joint Board (IJB) of £29.9 million to cover the IJB's unachieved savings in 2020/21.

NHS Dumfries and Galloway's Covid-19 costs were classed within one of the following categories: "Additional Covid-19 costs", "Remobilisation costs" and "Savings slippage" (as a result of Covid-19). See a summary of these costs detailed within the table.

Key costs within Additional Covid-19 costs included additional staff costs of £5.5 million and £4.4million of "Cost to 3rd parties to Protect Services". Remobilisation costs included £3.0 million of costs in relation to acute elective work and £2.0 million of Covid-19 immunisation costs.

A number of underspends across the directorates were also noted including activity driven spend (surgical sundries, laundry costs, reductions in unplanned care etc), workforce/vacancies (with Covid-19 slowing down and even halting recruitment at times during the year and staff being deployed into Covid-19 roles etc) and underspend on various planned projects as most were paused during the year as a result of the pandemic. These savings were offset against the additional Covid-19 costs incurred by the Board.

The Board has estimated Covid-19 costs for 2021/22 and beyond, and has included these within its draft financial plan, with these costs being identified separately from other pressures. The Board has assumed that funding will continue to be provided separately during 2021/22 for these Covid-19 costs, in addition to their baseline allocation for the year. Whilst the longer term strategy in relation to these costs is not entirely certain, it has been presumed that there will be a need to continue a number of services into the new financial year, with some potentially becoming core services as part of the overall remobilisation plans. Total planned Covid-19 costs for 2021/22 is £19.2 million which includes key costs such as the vaccination programme (£3.0 million), cost of remobilising elective services (£4.0 million) and social care sustainability payments (£3.1 million).

Key areas of Covid-19 costs (including Social Care) in 2020/21	£'million
Additional Covid-19 costs	16.0
Remobilisation costs	7.9
Savings slippage	7.2
TOTAL	31.1

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.</p> <p>We consider those critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (of expenditure and income journals) and the use of manual journals during the year and in creating the financial statements where controls may be overridden by management.</p>	<p>In response to this significant risk, our audit response was as follows:</p> <ul style="list-style-type: none"> • We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures; • We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020; and • We performed journals testing including: <ul style="list-style-type: none"> • Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger; • Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they were appropriate and suitably recorded in the financial ledger; and • Target testing of transactions and journals posted around the financial year end, reviewing these to understand the rationale for these entries. <p>Conclusion</p> <p>Through audit procedures performed, we noted that there is no formal agreed journal review process and journals are not being reviewed consistently across Finance. We recommend that a formal journal review policy is drafted and approved, and that management agree to review journals posted using a risk based approach. A management action has been raised in Appendix 2 in relation to this. Action plan point – 1.</p> <p>We can confirm, however, that we did not find evidence of management override of controls in our testing of journal transactions or any instances of material error. Furthermore we did not identify any indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement.</p>

Responding to significant financial statement risks (continued)

Risks identified in our Audit Plan	Commentary
<p>Risk of fraud in revenue recognition</p> <p>As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue in all entities.</p> <p>The risk of management manipulation and fraud is deemed to be low in relation to income received via Revenue Resource Allocations direct from Scottish Government. Similarly funding from services commissioned from the IJB and revenue from other Scottish Boards is well forecast and is agreed to funding letters/inter-Board funding agreements, reducing the opportunity for manipulation and the inherent risk of material misstatement in revenue recognition. As such, we rebut the risk of fraud in revenue in relation to these income streams.</p> <p>However, in 2020/21 Health Boards are not facing significant external pressure to restrain budget overspends as a result of continued financial support being provided to Health Boards by Scottish Government due to the ongoing COVID-19 pandemic. We have therefore not deemed it appropriate to rebut the presumed significant risk for material streams of “Other Income” received by NHS Dumfries and Galloway (being income not received in the ways described above). Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to recognise Other Income in the next financial year, when financial support from Scottish Government may be less than that provided to NHS Dumfries and Galloway in the current year.</p>	<p>In response to this significant risk, our audit response was as follows:</p> <ul style="list-style-type: none"> • Walkthroughs of the controls and procedures over Other Income; • Substantive testing of Other Income recognised during 2020/21 to confirm its occurrence, accuracy and completeness of recording; • Focused substantive testing of “Other Income” recognised pre and post year end to identify if there is any potential overstatement or understatement to address the risk of cut-off; and • Review of accrued income and debtors (where material) to gain assurance over the occurrence and accuracy of these balances as at year end. <p>Conclusion</p> <p>Through audit procedures performed we did not identify any exceptions in relation to the occurrence, accuracy or completeness of Other Income recognised by NHS Dumfries and Galloway during 2020/21. No exceptions were identified as a result of focused testing performed in relation to the risk of cut-off. Through our detailed testing of accrued income and debtors no exceptions were noted. Through our substantive procedures and sample testing we did not identify any income which was not in accordance with the nature of NHS Dumfries and Galloway (regularity testing).</p>

Responding to significant financial statement risks (continued)

Risks identified in our Audit Plan	Commentary
<p>Risk of fraud in expenditure recognition</p> <p>NHS Dumfries and Galloway's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as the result of fraud to occur in this area.</p> <p>NHS Dumfries and Galloway's non-pay expenditure includes IJB contributions. As IJB contributions are agreed to third party confirmations at year end there is limited opportunity for manipulation of this expenditure and there is therefore no perceived risk of material misstatement due to fraud in this area.</p> <p>We therefore focus our risk on the following non-payroll expenditure streams: independent primary care services, drugs and medical supplies and other healthcare expenditure (excluding IJB contributions), i.e. "Other Expenditure". Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to recognise more expenditure in the current financial year due to receiving continued additional financial support from Scottish Government as a result of the COVID-19 pandemic, which may not be made available to NHS Dumfries and Galloway in the next financial year.</p>	<p>In response to this significant risk, our audit response was as follows:</p> <ul style="list-style-type: none"> • Walkthroughs of the controls and procedures over other operating expenditure streams; • Substantive testing of expenditure throughout the year to confirm its occurrence, accuracy and completeness of recording; • Focused substantive testing of Other Expenditure recognised pre and post year end to identify if there is any potential overstatement or understatement to address the risk of cut-off; • Review of accruals and provisions, where material, around the year end to consider if there is any indication of overstatement or understatement of balances held at year end through consideration of accounting estimates; and • Unrecorded liability testing to confirm the completeness of year end liabilities as well as the completeness of expenditure recognised during the year. <p>Conclusion</p> <p>Through audit procedures performed we did not identify any exceptions in relation to the occurrence, accuracy or completeness of expenditure recognised by NHS Dumfries and Galloway during 2020/21. No exceptions were identified as a result of focused testing performed in relation to the risk of cut-off. As a result of our detailed testing of accruals and provisions, two unadjusted audit differences to the financial statements were identified by the audit team (see Unadjusted Audit Misstatements, Adjustments 1 and 3, in Appendix 1) and one further unadjusted audit difference was identified by NHS Dumfries and Galloway (see Unadjusted Audit Misstatements, Adjustment 2, in Appendix 1). The unadjusted audit differences have a net impact of £546,000 debit to the Statement of Consolidated Comprehensive Net Expenditure and are considered to be both individually and cumulatively immaterial. We are therefore satisfied that accruals have not been materially misstated as at 31 March 2021. No exceptions were identified as a result of our unrecorded liability testing. As a result of our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of NHS Dumfries and Galloway (regularity testing).</p>

Responding to significant financial statement risks (continued)

Risks identified in our Audit Plan	Commentary
<p>Valuation of property, plant and equipment (land and buildings)</p>	<p>In response to this significant risk, our audit response was as follows:</p> <ul style="list-style-type: none"> • Walkthroughs of the controls and procedures over the valuation of land and buildings; • Consideration of the arrangements in place at the Board for ensuring the carrying value of land and buildings remains appropriate and in accordance with IAS 16; • Evaluation of the competence, capability and objectivity of the Board’s professional valuers who represent management’s experts under ISA 500; • Review of the suitability of indices applied in the valuation of land and buildings including challenging the reasonableness of the rates applied; • Challenged management’s assessment of potential impairment of PPE including consideration of any indicators of impairment of PPE not recognised by the Board; and • Using our auditor’s valuation expert in order to challenge management’s expert as well as NHS Dumfries and Galloway management around the valuation instructions issued and approach adopted by the Board in valuing land and buildings as at 31 March 2021.
<p>In accordance with the NHS Accounting Manual and the HM Treasury Financial Reporting Manual (FReM), subsequent to initial recognition, the Board is required to hold property, plant and equipment on a valuation basis. The exact valuation basis depends on the nature and use of the assets. Specialised NHS land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. There are further modifications to values depending on the nature and use of assets to ensure property, plant and equipment (“PPE”) is approximately stated. As at 31 March 2021, NHS Dumfries and Galloway held PPE of £308.6 million including Land and Buildings (including Dwellings) of £289.9 million. Given the value of PPE held by the Board and the level of complexity and judgement in the estimation valuations, there is an inherent risk of material misstatement in the valuation of land and buildings. The risk is less prevalent in non land and buildings assets as these are generally held at depreciated historic costs, as a proxy of fair value and therefore less likely to be misstated. NHS Dumfries and Galloway appoint Avison Young to undertake a rolling programme of valuations across the assets base, valuing land and buildings at a minimum of once every five years.</p>	<p>Conclusion</p> <p>In the prior year the Royal Institute of Chartered Surveyors (RICS) issued a valuation practice note regarding material uncertainties in valuations as a result of impacts to the market caused by Covid-19. The RICS Red Book defines material uncertainty as ‘where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted’. Due to the impact of Covid-19 on markets at that time, NHS Dumfries and Galloway’s valuer reported their valuation advice on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global Standards and an emphasis of matter paragraph was included within the independent audit report to highlight the matter to the reader of the accounts. Our audit opinion was not modified in respect of this matter. Avison Young have confirmed that as at 31 March 2021 some market properties have started to function again, with transaction volumes and other relevant evidence at levels where adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, Avison Young’s valuation is not reported as being subject to “material valuation uncertainty” as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Our auditor’s expert has also confirmed that this commentary, in relation to the asset types within the portfolio, is in line with the wider view across the profession at 31 March 2021 and therefore is in line with their expectations. We have concluded that the view taken by Avison Young is appropriate. No emphasis of matter paragraph is therefore required to be included within the auditor’s opinion in relation to this matter in the current year.</p> <p>Based on our testing we conclude that PPE has been valued in accordance with IAS 16 and the FReM and that the assumptions adopted by management and their valuer are reasonable.</p>

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Board and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2020/21 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit and Risk Committee, concerning the Boards' policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Board's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Board's financial performance for the year and potential management bias in determining accounting estimates, especially in relation to the calculation of the accrual in relation to IJB reserves (£8.7 million), the Family Health Service ("FHS") accrual (£5.3 million) and the holiday pay accrual (£2.6 million). Our audit procedures are documented within our response to the significant risk of management override of controls on page 10.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in revenue and expenditure recognition, and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Board's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Board's control environment, including the policies and procedures implemented by the Board to ensure compliance with the requirements of the financial reporting framework.

Significant estimates and judgements

NHS Dumfries and Galloway's financial statements include the following significant accounting estimates and judgement impacting on the annual accounts:

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Property valuations (Land and buildings, including dwellings) £289.9 million</p>	<p>As at 31 March 2021, NHS Dumfries and Galloway held PPE of £308.6 million including Land and Buildings (including Dwellings) of £289.9 million. NHS Dumfries and Galloway appoint Avison Young to undertake a rolling programme of valuations, valuing land and buildings at a minimum of once every five years.</p> <p>The last full asset valuation was performed at 31 March 2019. As such the Board requested that their external valuer, Avison Young, provide indexation advice for assets as at 31 March 2021. A report of 0% indexation was provided for both DRC-based values and non specialised assets as at 31 March 2021 by Avison Young. Therefore, for DRC-based values and non specialised assets, a Buildings Element indexation factor of 0% was deemed to be appropriate between 31 March 2020 and 31 March 2021. There was therefore no net impact charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.</p> <p>Management has disclosed that the estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year include property valuations. They have also confirmed and disclosed that they rely on the valuation information provided by their external valuer.</p>	<p>We have agreed the 0% indexation directly to the advice provided by Avison Young. We have performed an assessment over the professional valuer. We have performed a review of the suitability of indices applied in the valuation of land and buildings including challenging the reasonableness of the rate applied and we have used our auditor's valuation expert in order to challenge management expert's advice as well as the Board's management around the valuation instructions issued to their external valuer and the approach adopted in valuing land and buildings as at 31 March 2021. We have challenged management's assessment of potential impairment of PPE including consideration of any indicators of impairment of PPE not recognised by the Board.</p> <p>We are satisfied that the revaluation has been appropriately reflected in the financial statements.</p>	Light Purple
<p>Pension provision £4.0 million</p>	<p>The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Dumfries and Galloway employees for whom NHS Dumfries and Galloway have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.</p>	<p>We are satisfied that the provision has been appropriately calculated in accordance with the NHS Accounts Manual and has been agreed to third party supporting information and we are satisfied that the provision has been disclosed appropriately in the accounts.</p>	Light Purple

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Clinical and medical negligence provision £28.6 million	NHS Dumfries and Galloway provide for clinical and medical legal claims. NHS Dumfries and Galloway participates in the Clinical Negligence and Other Risk Indemnity Scheme (CNORIS). Under CNORIS, NHS Dumfries and Galloway meets the costs of claims up to £25,000. Any amounts above this are covered through a pooled CNORIS share made up from contributions from all Health Boards. NHS Dumfries and Galloway contribute annually to the CNORIS scheme.	We have reviewed clinical and medical legal claims and CNORIS provisions and have confirmed that the amounts recognised are in accordance with advice received from the Central Legal Office ("CLO") in relation to claims outstanding against the Board. During our testing of the clinical and medical provision, NHS Dumfries and Galloway were made aware of a post year end change to a claim by the CLO which was greater than our trivial threshold of £250,000. The amount has not been adjusted for within the annual accounts and has therefore been identified as an unadjusted audit difference (see Unadjusted Audit Misstatements, Adjustment 2, in Appendix 1), however additional disclosure has been added to Note 14 of the Annual Accounts in relation to this matter. The unadjusted audit difference has a net impact of £nil to the Statement of Consolidated Comprehensive Net Expenditure and is therefore considered immaterial (a full listing of adjusted and unadjusted misstatements is detailed in Appendix 1). We are satisfied that the provision has not been materially misstated as at 31 March and has been appropriately reflected in the financial statements.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

As set out in our Audit Plan, to ensure compliance with ISA 540 revised, we also requested further information from management in relation to the following material estimates (which have not been considered significant by management as described above):

- Depreciation;
- Accruals (prescribing costs); and
- Commitments Under PFI Contracts – On Balance Sheet.

We are satisfied that these estimates have been calculated appropriately and that year end estimated balances have not been materially misstated.

Other Areas of Judgement

Area of Judgement	Summary of management's approach	Audit Comments
<p>Personal Protective Equipment £4.1 million</p>	<p>There is a judgement and a degree of estimation over the personal protective equipment balance of £4.1 million. This amount relates to lateral flow testing kits and personal protective equipment, with the amount to be included in the accounts notified to NHS Dumfries and Galloway by NSS.</p> <p>Whilst this is not significant enough to require disclosure in the Board's Accounting Policies, we have considered the judgements used to determine this balance for completeness.</p>	<p>We have reviewed the balance provided by NSS and the assessment performed by NSS's auditors, Audit Scotland, regarding the appropriateness of the calculation. We have relied on Audit Scotland's conclusion that the degree of estimation used in assessing processing costs was appropriate and reasonable and that the allocation of costs to Boards was accurate.</p> <p>We are satisfied that personal protective equipment has been appropriately reflected in NHS Dumfries and Galloway's financial statements.</p>

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of the Board's accounting policies, accounting estimates and financial statement disclosures and have identified no matters to highlight for your attention.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified and we have issued an unmodified opinion in this respect.</p>
Opinion on other aspects of the annual report and accounts	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the National Health Service (Scotland) Act 1978 (the Act), and directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required by the Code and are satisfied that these have been properly prepared in accordance with applicable legislation.</p> <p>The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Act and directions made thereunder by the Scottish Ministers.</p>

Issue	Commentary
Governance statement	<p>The governance statement is included within the Accountability Report. The Corporate Governance Report is set out on page 10 of the Annual Report and Accounts. The report sets out how NHS Dumfries and Galloway has been governed during 2020/21, including membership and organisation of its governance structures and how they support the achievement of the Board's objectives. The report includes the Directors' Report, the Statement of Accounting Officer's Responsibilities and the Governance Statement and has been prepared in accordance with the FReM and NHS Scotland Manual for Accounts. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value. Through our audit work over the wider scope audit dimensions: financial management; financial sustainability; governance and transparency; and, value for money, we have considered the arrangements in place at the Board for securing Best Value.</p> <p>Wider assurances through financial and non-financial performance and internal controls and governance arrangements, provide assurances to the Chief Executive to express an opinion on the status of governance arrangements during the year for the purposes of updating the governance statement in the annual report. The Governance statement reflects these assurances and conclusions reached by the Board's Internal Audit function in year.</p>
Matters on which we report by exception	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Board, including specific representations in respect of the Group, which is included in the Audit and Risk Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for property, plant and equipment valuations, provisions and accruals.</p>
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Board meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Issue	Commentary
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>
National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the health board, received matches for investigation in January 2021. All recommended matches plus any further matches based on findings and the risk of error or fraud should be investigated by 30 September 2021 and the results recorded on the NFI system.</p> <p>As part of our audit work in the current year we considered the progress made by NHS Dumfries and Galloway in investigating matches. The Board has confirmed that it should be in a position to complete and record all investigations by 30 September 2021. The matches released in January 2021 were initially reviewed by the Chief Internal Auditor and discussed with Financial Governance to agree a process and a plan of work for clearing the data matches, with priority being placed on those that were higher risk to ensure that they were cleared first, with further sampling of the remaining matches to identify relevant issues. 3,348 matches were identified in total, with 5 classed as high risk, 27 classed as medium risk and 3,316 classed as nil risk. As at April 2021, NHS Dumfries and Galloway were yet to commence the investigation of individual matches. However, the Chief Internal Auditor confirmed to the Audit and Risk Committee in April 2021 that the NFI exercise was underway and that relevant matches would be cleared by the September 2021 deadline.</p>

Wider scope audit

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work of the wider scope audit dimensions: financial management; financial sustainability; governance and transparency and value for money. We take a risk based audit approach, utilising our cumulative audit knowledge of the organisation and understanding of its risks and priorities. Within our annual audit plan we identified 3 significant wider scope risks in relation Financial Sustainability, Governance and Transparency and Value for Money. As part of our audit work we have not identified any further wider scope audit risks.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Financial Management</p> <p>Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively</p>	<p>No significant wider scope risks identified</p>	<p>Through our cumulative audit knowledge and planning risk assessment we did not identify any significant audit risks in relation to the Board’s financial management arrangements.</p> <p>We have assessed the Board’s financial performance in year (page 8 and 9). The Board operated within its financial resource targets, achieving this while operating in a period of considerable uncertainty and whilst responding to the operational and financial challenges in managing the impact of Covid-19 on service delivery.</p> <p>The Board received a total Covid-19 funding allocation of £31.1 million from Scottish Government (“SG”) for 2020/21. This included funding for costs incurred by both the Board and the Health and Social Care Partnership. SG allocated an additional £100.0 million to Integration Joint Boards in January 2021 as a result of the ongoing uncertainty due to the pandemic and Dumfries and Galloway Integration Joint Board was allocated an additional £3.1 million of funding as a result of this decision (the additional funding of £3.1 million being included within the total funding allocation of £31.1 million described above). NHS Dumfries and Galloway also agreed to make an additional payment to the Integration Joint Board (IJB) of £29.9 million to cover the IJB’s unachieved savings in 2020/21.</p> <p>At the start of 2020/21, the Board had a savings target of £26.6 million, with an initial savings plan of £11.1 million identified savings for delivery in year. However, as a result of Covid-19, plans were paused and SG provided additional finance to support gaps in savings plans and also provide resource to implement the services required for a Covid-19 response. Of the opening savings target of £26.6 million, £3.4 million of savings were delivered, £1.2 million of which were recurring. A significant savings gap of £25.4 million has therefore been carried forward into 2021/22. We have considered this matter further in our consideration of Financial Sustainability below.</p> <p>As part of our financial statements audit, we also considered the arrangements in place for monitoring and scrutiny of financial performance in year, including oversight from management and those charged with governance. This has included inquiry of management and review of minutes and papers and review of Internal Audit reports.</p>	<p>A savings gap of £25.4 million is considered to be significant. We have explored this matter further during our review of Financial Sustainability in the context of the total savings target for 2021/22, the 2021/22 savings identified to date as well as the current savings gap and the plans the Board have in place to address this gap.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion																																								
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>Significant risk identified:</p> <p>Consideration of the medium to long term financial sustainability of NHS Dumfries and Galloway. We sought to understand how Covid-19 has impacted on NHS Dumfries and Galloway's financial strategy and understand particular areas of cost pressures identified during the year. We have reviewed the extent to which savings delivered during 2020/21 represent sustainable recurring savings. We have reviewed the progress made by NHS Dumfries and Galloway in relation to its Sustainability and Modernisation ("SAM") programme during 2020/21 as well as the financial and operational plans in place to support remobilisation of services.</p> <p>We focused on in-year financial performance and medium term financial plans agreed with Scottish Government.</p>	<p>Response to significant risk:</p> <p>For 2021/22, SG requested a one-year financial plan, reflecting the impact of Covid-19 on service delivery and finances. We reviewed the plan for 2021/22 including the key assumptions and cost pressures which had been identified.</p> <p>At the start of 2020/21, NHS Dumfries and Galloway had an opening savings target of £26.6 million. £3.4 million of savings were delivered, £1.2 million of which were recurring. A significant savings gap of £25.4 million has therefore been carried forward into 2021/22.</p> <p>The estimated financial gap for 2021/22 is £31.2 million for NHS Dumfries and Galloway which includes the brought forward savings gap of £25.4 million from 2020/21. It also includes a 9.73% savings target for the Board as well as including savings associated with the services delegated to the IJB. The overall financial gap for 2021/22 is detailed within the table below:</p>	<p>NHS Dumfries and Galloway have considered their financial sustainability for 2021/22, in line with SG requirements, incorporating key assumptions and risks. In addition, the impact of Covid-19 on financial plans in future years has been considered.</p> <p>Efficiency savings of £15.2 million have been identified to meet the £31.2 million funding gap, leaving a further £16 million to be identified. A savings gap of this size is considered to be significant and is not considered to be in line with other territorial health boards as indicated through SG correspondence. As such, this will continue to be closely monitored by SG throughout 2021/22.</p> <p>The SAM programme was developed to help deliver a more sustainable operating model for the future of NHS Dumfries and Galloway. This is a critical time for NHS Dumfries and Galloway given demand pressures on services and the impact of Covid-19. NHS Dumfries and Galloway will need to find a balance between remobilisation and a continued focus on the SAM programme and achieving savings, in an environment of increasing costs and uncertainty on future funding.</p>																																								
<table border="1"> <thead> <tr> <th>2021/22 Savings Gap Summary</th> <th>Board £'m</th> <th>IJB £'m</th> <th>TOTAL £'m</th> </tr> </thead> <tbody> <tr> <td>Recurring savings gap 2020/21</td> <td>(21.3)</td> <td>(5.3)</td> <td>(26.6)</td> </tr> <tr> <td>Recurring savings delivered in 202/21</td> <td>1.5</td> <td>(0.4)</td> <td>1.1</td> </tr> <tr> <td>Opening position 2021/22</td> <td>(19.8)</td> <td>(5.7)</td> <td>(25.5)</td> </tr> <tr> <td>Baseline uplift 1.5%</td> <td>3.9</td> <td>0.8</td> <td>4.7</td> </tr> <tr> <td>Pay and price uplifts 2021/11</td> <td>(7.1)</td> <td>(0.7)</td> <td>(7.8)</td> </tr> <tr> <td>Non Covid-19 cost pressures</td> <td>(0.3)</td> <td>(1.4)</td> <td>(1.7)</td> </tr> <tr> <td>Allocation reduction new medicines fund</td> <td>(0.9)</td> <td>-</td> <td>(0.9)</td> </tr> <tr> <td>Increased savings requirement 2021/22</td> <td>(4.4)</td> <td>(1.3)</td> <td>(5.7)</td> </tr> <tr> <td>OVERALL FINANCIAL GAP FOR 2021/22</td> <td>(24.2)</td> <td>(7.0)</td> <td>(31.2)</td> </tr> </tbody> </table>				2021/22 Savings Gap Summary	Board £'m	IJB £'m	TOTAL £'m	Recurring savings gap 2020/21	(21.3)	(5.3)	(26.6)	Recurring savings delivered in 202/21	1.5	(0.4)	1.1	Opening position 2021/22	(19.8)	(5.7)	(25.5)	Baseline uplift 1.5%	3.9	0.8	4.7	Pay and price uplifts 2021/11	(7.1)	(0.7)	(7.8)	Non Covid-19 cost pressures	(0.3)	(1.4)	(1.7)	Allocation reduction new medicines fund	(0.9)	-	(0.9)	Increased savings requirement 2021/22	(4.4)	(1.3)	(5.7)	OVERALL FINANCIAL GAP FOR 2021/22	(24.2)	(7.0)	(31.2)
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<p>The savings plan is being developed and supported through the Sustainability and Modernisation Programme (SAM).</p>																																											

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Financial sustainability (Continued)</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>Significant risk identified (Continued):</p> <p>Consideration of the medium to long term financial sustainability of NHS Dumfries and Galloway. We sought to understand how Covid-19 has impacted on NHS Dumfries and Galloway's financial strategy and understand particular areas of cost pressures identified during the year. We have reviewed the extent to which savings delivered during 2020/21 represent sustainable recurring savings. We have reviewed the progress made by NHS Dumfries and Galloway in relation to its Sustainability and Modernisation ("SAM") programme during 2020/21 as well as the financial and operational plans in place to support remobilisation of services. We focused on in-year financial performance and medium term financial plans agreed with Scottish Government.</p>	<p>Response to significant risk (Continued):</p> <p>Savings of £15.2 million have been captured in the one year financial plan and include the following:</p> <ul style="list-style-type: none"> • £5.2 million of recurring savings, including £3.9 million savings in relation to prescribing costs; and • £10.0 million of non-recurring savings, including £2.5 million savings in relation to workforce and £6.0 million in relation to non-recurring flex. <p>Identified savings of £15.2 million leaves an underlying in-year gap of £16m.</p> <p>NHS Dumfries and Galloway have shared their one year plan for 2021/22 with SG. SG issued a letter to the Board in May 2021, noting that the Board's one-year plan indicated a significant challenge in terms of delivering breakeven against baseline position, with £16 million of savings still to be identified against a savings challenge of £31.2 million. They also noted that a savings forecast at this level is significantly higher than the level currently anticipated by other territorial health boards and which would indicate a high level of risk to delivering financial balance, and indicated long term sustainability risks. They have requested that the Board continue to update SG in terms of the progress with the in-year financial plan, in particular what steps are required – both on a recurring and non-recurring basis – to close the current £16 million savings deficit and to understand what further work has been undertaken through the SAM programme.</p>	<p>We recommend that NHS Dumfries and Galloway along with the Scottish Government, consider what support is available in order to continue to identify recurring and non-recurring savings to close the current £16 million savings deficit, as well as to further identify savings for future years, which we recognise continues to be difficult given the ongoing circumstances of Covid-19 recovery. An action has been raised in Appendix 2 in relation to this. Action plan point – 2.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Governance and transparency</p> <p>Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Significant risk identified:</p> <p>Risk Management continues to be a key area of focus for NHS Dumfries and Galloway. We have considered the progress made in relation to NHS Dumfries and Galloway’s review of Risk Management Strategy, including strategic, tactical and operational risk management arrangements.</p> <p>In addition, we considered how NHS Dumfries and Galloway has maintained good governance throughout the year, focused on any new governance arrangements introduced, the openness and transparency of decision making and how governance has evolved during the Covid-19 pandemic.</p>	<p>Response to significant risk:</p> <p>The Risk Management Strategy was presented to the Board on 12 April 2021 and approved. Following the establishment of the Risk Management Strategy, a full review has been undertaken to ensure it complies with all local and national legislation around risk management. The strategy has been through a series of consultation sessions with staff and Board Members being sighted in its draft stage before it was finalised for approval.</p> <p>Risk Management training was delivered to circa 100 Senior Managers and Key Risk Contacts across all Board directorates. Three Board workshops took place in April and May 2021 to provide Board level risk training, Corporate Risk Register review and Board Risk Appetite review and update.</p> <p>As noted in the prior year, temporary governance arrangements were agreed by the Board and were in effect from April 2020 to enable the Board to respond appropriately to COVID-19. Changes to arrangements included Board meetings being held remotely to assist in compliance with the social distancing requirements. Initially, Board meetings were held in private and therefore did not support openness and transparency. This was a temporary measure and upon receipt of the nationally agreed approach to public accessibility to meetings, agreement was sought from SG and NHS Board members to record public Board meetings from November 2020 and upload the recording to the Board’s website as soon after the meeting concluded as possible.</p> <p>All Board governance committees were also suspended in April 2020, with any urgent items being considered directly by the Board. The Audit and Risk Committee, Healthcare Governance Committee and Staff Governance Committee (including Remuneration Sub-Group) were reinstated from 1st June 2020 on a “governance lite” format, similar to the approach taken on other health boards. This was to recognise the challenges with workload and capacity within NHS Dumfries and Galloway, whilst acknowledging that the Board needed assurance on the appropriate management and delivery of health services at each stage of the pandemic. This “governance lite” approach continues, with the exception of the Healthcare Governance Committee which returned to full governance in March 2021.</p> <p>We note however that the Performance Committee, which was stood down in April 2020, has not been reinstated during 2020/21. We would recommend that the Board consider whether this committee requires reinstatement going forward. In addition there is a future opportunity to reconsider the broader governance arrangements in place, reflecting on what has worked well during the Covid-19 period, in terms of governance, that may want to be retained, to ensure future effective governance and transparent decision making.</p> <p>Action plan point – 3</p>	<p>Through our audit procedures we have not identified any significant risks in relation to NHS Dumfries and Galloway’s risk management arrangements.</p> <p>We note however that the Performance Committee, which was stood down in April 2020, has not been reinstated during 2020/21. We would recommend that the Board consider whether this committee requires reinstatement going forward. In addition there is a future opportunity to reconsider the broader governance arrangements in place, reflecting on what has worked well during the Covid-19 period, in terms of governance, that may want to be retained, to ensure future effective governance and transparent decision making. Action plan point – 3</p> <p>We have not identified any further risks or significant deficiencies in governance arrangements, leadership and decision making at NHS Dumfries and Galloway.</p>
		<p>We have not identified any further risks or significant deficiencies in governance arrangements, leadership and decision making at the Board.</p>	

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Value for money Value for money is concerned with using resources effectively and continually improving services.</p>	<p>Significant risk identified: NHS Dumfries and Galloway continue to face cost pressures in relation to medical locum staff. Initiatives are in place to reduce the cost of medical locums, however, due to the complexity of the medical agency market this represents a substantial risk in achieving the level of reductions anticipated. NHS Dumfries and Galloway are developing workforce plans in line with the national NHS Scotland Workforce Planning guidance. We have reviewed the progress made in relation to this matter.</p>	<p>Response to significant risk: The cost of agency staff reduced during 2020/21, from £12.3 million in 2019/20 to £10.3 million in 2020/21, a reduction of £2.0 million (16%) as a result of elective procedures being suspended due to COVID-19. However, recruitment to medical vacancies has remained a significant challenge for the Board, with the average level of vacancy for NHS consultants continuing to remain above 20%. There has also been a rise in the level of gaps across the junior doctor rotas (especially within GP training posts) which are not expected to be remedied in 2021/22. This is an increasing challenge across Scotland and the UK as a whole. An assessment of the additional cost of medical locum provision has been included within the Financial Plan, along with assumptions of reducing cost and demand with the investment of a new permanent recruitment project team. We note that containment of locum and agency costs remains a priority for NHS Dumfries and Galloway.</p>	<p>We note that although agency costs have decreased compared with prior year, reliance on agency and locums continues to be an area of challenge within the Board. However we note that containment of these costs remains a priority for NHS Dumfries and Galloway in 2021/22 and beyond.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements, whether or not the accounts have been adjusted by management. We are pleased to report there were no material corrected or uncorrected misstatements to the financial statements arising during our audit.

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Differences between fixed asset register and cost b/f and accumulated depreciation b/f as per the accounts for plant and machinery		
Dr Accumulated depreciation (plant and machinery)		1,360
Cr Cost (plant and machinery)		(1,360)
Income and expenditure from services commissioned by IJB		
Dr Operating Expenditure	365,597	
Cr Operating Income	(365,597)	
Participation in CNORIS		
Dr Operating Expenditure	906	
Cr CNORIS provision		(906)
Dr CNORIS provision		925
Cr Operating Expenditure	(925)	
Reclass of pay accrual from accruals to other significant payables		
Dr Accruals		2,078
Cr Other significant payables		(2,078)
Adjustment for inclusion of personal protective equipment, recognising NHS Dumfries and Galloway are an agent for this stock procured centrally ⁽¹⁾ [Management Identified]		
Dr Expenditure	4,082	
Cr General Fund		(4,082)
Dr General Fund		558
Cr Income	(558)	
Overall impact	3,505	(3,505)

⁽¹⁾ An adjustment in relation to personal protective equipment has been raised, recognising the late revision for NHS Boards to account for the stock procured centrally as an agent. NHS Dumfries and Galloway received personal protective equipment and community testing kits from NSS which is required to be accounted as a non-monetary grant and expense, reflected in the Boards expenses with a corresponding increase to RRL funding. In addition, the Board received lateral flow testing kits from the UK Government, which were required to be accounted for as a donation with these being recognised as an expense. This adjustment had no impact on the Board's outturn position as it impacted funding and expenditure equally.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. Management consider these as not being material to the users of the accounts, in the context of the complete financial statements and as external auditors we agree with this conclusion. The adjustments proposed would not have materially impacted on the financial position of NHS Dumfries and Galloway at the financial year-end:

Adjustment No.	Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
1	Balance sheet reclass of high cost drug advances recorded within FHS accrual to prepayments: Dr Prepayments Cr FHS Accrual		6,329 (6,329)
2	CNORIS provision requiring update following post year end settlement of claim: Dr Clinical and medical provision Cr Other operating expenditure	(3,972)	3,972
	Dr Other operating expenditure Cr Associated CNORIS receivable	3,972	(3,972)
3	Difference between prescribing accrual for February and March 2021 as at year end and actual prescribing costs incurred by NHS D&G Dr Expenditure Cr Prescribing accrual	546	(546)
	Overall impact	546	(546)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Financial Instruments	Trade receivables and cash and cash equivalents are disclosed as being measured at fair value through the OCI as opposed to being measured at amortised cost. Difference is however not deemed to be material.	No
Participation in CNORIS	NHS Dumfries and Galloway were made aware of a post year end change to a claim by the CLO which was greater than our trivial threshold of £250,000. The amount has not been adjusted for within the annual accounts however additional disclosure has been added to Note 14 of the Annual Accounts in relation to this matter.	Yes
Annual Report	Minor disclosure amendments identified during Engagement Leader and Manager review	Yes
Annual Governance Statement	Minor disclosure amendments identified during Engagement Leader and Manager review	Yes
SOCTE – General Fund	COVID-19 capital equipment brought into Board - £356K	Yes

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2020/21, the significant recommendations arising from our audit work:

Recommendation	Agreed management response
<p>1. Review of Journals</p> <p>Through audit procedures performed, we noted that there is no formal journal review process in place and that journals are not being reviewed in a consistent manner across Finance.</p> <p>We recommend that a formal journal review policy is drafted and approved, and that management review journals posted using an agreed, risk based approach which is adopted across all areas of Finance. Spot checks should be performed to confirm that journals are being reviewed in line with the agreed policy.</p>	<p>Management response: The Deputy Director of Finance will develop a risk-based approach to authorisation of journals and add to the spot check reviews carried out by Financial Governance to enhance internal assurance that the procedure is being adopted correctly.</p> <p>Action owner: Deputy Director of Finance</p> <p>Timescale for implementation: September 2021</p>
<p>2. 2021/22 Financial Plan</p> <p>NHS Dumfries and Galloway have shared their one year plan for 2021/22 with SG. SG note that the Board's one-year plan indicated a significant challenge in terms of delivering breakeven against baseline position, with £16 million of savings still to be identified against a savings challenge of £31.2 million for 2021/22. They also noted that a savings forecast at this level is significantly higher than the level currently anticipated by other territorial health boards and which would indicate a high level of risk to delivering financial balance, and that it indicates long term sustainability risks. They have requested that the Board continue to update SG in terms of the progress with the in-year financial plan, in particular what steps are required – both on a recurring and non-recurring basis – to close the current £16 million savings deficit and to understand what further work has been undertaken through the Sustainability and Modernisation Programme.</p> <p>We recommend that NHS Dumfries and Galloway, alongside SG, consider what support is available in order to continue to identify recurring and non-recurring savings to close the current £16 million savings deficit, as well as to further identify savings for future years, which we recognise continues to be difficult given the ongoing circumstances of Covid-19 recovery.</p>	<p>Management response: The Director of Finance is meeting regularly with Scottish Government to review options to close the in year financial plan. Support has been sought through the financial improvement workstream and work is underway to review the current savings plan which will be reported back through NHS Board and Performance and Resources.</p> <p>Action owner: Director of Finance</p> <p>Timescale for implementation: April 2022</p>

Recommendation

3. Performance Committee and capturing broader governance learning beyond Covid-19

The Performance Committee was stood down in April 2020 as part of NHS Dumfries and Galloway's temporary governance changes, introduced in response to the COVID-19 pandemic. However, all committees that were initially stood down have either been returned to full governance (Healthcare Governance Committee, March 2021), re-established on "governance lite" format (Audit and Risk Committee and Staff Governance Committee) or have been disbanded (Person Centred Health and Care Committee, October 2020). However we note that the Performance Committee has neither been reinstated nor disbanded during 2020/21.

We would recommend that the Board consider whether this committee requires reinstatement going forward. In addition there is a future opportunity to reconsider the broader governance arrangements in place, reflecting on what has worked well during the Covid-19 period, in terms of governance, that may want to be retained, to ensure future effective governance and transparent decision making.

Agreed management response

Management response: An update on temporary governance arrangements was agreed at NHS Board on 14th June 2021, with an agreement to bring back Performance Committee in the Autumn. The terms of reference will be reviewed and a paper formally to return this committee will come to the September 2021 Board. In addition, the Board has agreed to the introduction of a new Public Health committee, with a workshop organised to shape the remit of the committee scheduled for August 2021.

Action owner: Director of Finance

Timescale for implementation: December 2021

3. Follow up of 2019/20 recommendations

We set out below our follow up of our 2019/20 recommendations:

Capital impairments

During 2019/20 NHS Dumfries and Galloway amended the estates plans and capital investment programme. While the Board has approved the capital programme, including the decision not to proceed with the investment in the Cresswell site, there was no explicit reporting of the financial implication of ceasing the project and that this would result in a £1.4 million impairment cost to the Board. We recommend that for future capital decisions there is clear consideration of the wider financial implications on the Board.

Responsible officer: Deputy Director of Finance

Initial management response: A review of reporting arrangements for this type of adjustment are underway and will likely be presented to Board or Audit and Risk Committee.

Timescale for implementation: November 2020

Follow up: ONGOING

A review of reporting arrangements has as yet to take place as this work was paused as a result of Covid-19.

Financial Management and Sustainability

Like many Scottish health boards, 2020/21 will be a period of significant challenge for NHS Dumfries and Galloway with the need to deliver financial savings whilst also managing the Covid-19 pandemic and remobilisation of services. NHS Dumfries and Galloway recognise that there is a unique opportunity to review the model for the provision of care in the region to look to develop a financially sustainable way of working. This is a critical time for NHS Dumfries and Galloway and while we recognise the investment in the SAM programme, there is a risk that the impact of Covid-19 and potential future impact on services could have significant implications on the Board's ability to remobilise and transform services to support a financially sustainable operating model. The Board should ensure that it has clear financial and operational plans in place to support the remobilisation of services and development of a sustainable operating model going forward.

Responsible officer: Director of Finance

Initial management response: The Quarter One financial review will assess the overall financial position for 2020/21 post the initial Covid-19 crisis, this will be completed by September 2020. The work of the Sustainability and Modernisation programme has been re established and will work alongside the remobilisation plans with the overall financial plan reviewed for the draft plans for 2021/22.

Timescale for implementation: December 2020

Follow up: CLOSED.

As requested by Scottish Government, NHS Dumfries and Galloway have prepared a one-year financial plan, reflecting the impact of Covid-19 on service delivery and finances. We reviewed the plan for 2021/22 including the key assumptions, cost pressures and savings deficit as part of our Wider Scope work on pages 22-23. We have raised a new recommendation as part of this work, recommending that NHS Dumfries and Galloway, with the support of the Scottish Government, consider what support is available in order to continue to identify recurring and non-recurring savings to close the current £16 million savings deficit for 2021/22, as well as to further identify savings for future years, which we recognise continues to be difficult given the ongoing circumstances of Covid-19 recovery. An action has been raised in Appendix 2 in relation to this matter and we have therefore closed this recommendation from 2019/20 as our new audit action will be monitored to completion separately. **Action plan point – 2.**

Risk Management

Management recognise that risk management arrangements require further development to ensure a consistent approach to risk management across the organisation. During 2019/20, Internal Audit reported a limited assurance opinion on their internal audit of review of risk management arrangements at the Board. Management are currently working through the actions emerging from this report as it looks to continue to develop risk management arrangements in place at the Board. It is important that NHS Dumfries and Galloway look to operationalise the risk management strategy across the organisation to ensure risks are managed consistently.

Responsible officer: Nurse Director

Initial management response: The risk strategy review is underway alongside the review of actions required to implement the actions identified in the internal audit review. This is being led by the Nurse Director through the Risk Executive Group

Timescale for implementation: March 2021

Follow up: CLOSED

The Risk Strategy was presented to the NHS Board on 12 April 2021 and approved. Risk Register training took place for Non-Executive Board Members on 19th April 2021. The Corporate Risk Register was presented in final form to Board in February 2021. Work is ongoing to address the internal audit actions identified in the initial review however as these actions will be tracked separately by Internal Audit we have therefore deemed it appropriate to close this recommendation given all other external audit actions have now been addressed and outstanding internal audit actions will be monitored to completion separately by Internal Audit.

Performance

NHS Dumfries and Galloway continues to face operational challenges including managing delayed discharges, waiting times and emergency admissions. In addition, 2020/21 will be an acutely challenging year as the Board look to manage the impact of Covid-19 and the planned remobilisation of services. As the Board looks to remobilise all services, they should look for opportunities to modernise and redesign services to develop sustainable and effective models of care in partnership with strategic partners including the IJB and Dumfries and Galloway Council.

Responsible officer: Chief Operating Officer

Initial management response: Partnership working has been evident through the Covid-19 crisis through the Strategic and Tactical Local Resilience Partnerships and we are keen to retain and further build on these effective working relationships. The work to develop the remobilisation is ongoing with revised draft due by 31st July. This is aligned with the Sustainability and Modernisation Programme

Timescale for implementation: March 2021

Follow up: CLOSED

Remobilisation plans and financial plans have been prepared during 2020/21 and have considered opportunities to modernise and redesign services with partners including the IJB and Dumfries and Galloway Council where appropriate.

4. Follow up of 2018/19 recommendations

We set out below our follow up of our 2018/19 recommendations:

Segmental Reporting

The disclosures within the segmental analysis note within the annual accounts could be improved to bring it in line with the requirements of the 2018/19 NHS Accounts Manual.

Responsible officer: Deputy Director of Finance

Initial management response: The reporting in Note 5 for segmental analysis will be updated for the 2019/20 financial statements.

Revised implementation date 2020/21 Financial Statements

Follow up: CLOSED.

The reporting in the 2020/21 annual accounts' Note 6 Board Segmental Information now includes disclosure of Total Assets and Total Liabilities in line with the requirements of the NHS Accounts Manual.

5. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	121,005
Pooled costs	13,180
Contribution to Audit Scotland costs	6,040
Contribution to Performance Audit and Best Value	Nil
2020/21 Fee	140,225

Fees for other services

Service	Fees £
We confirm that for 2020/21 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

6. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of NHS Dumfries and Galloway's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

