

External Audit Report for NHS Education for Scotland

Year ended 31 March 2021

Prepared for the Board of NHS Education for Scotland (NES)
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 external audit of NHS Education for Scotland (NES) and the preparation of NES's financial statements for the year ended 31 March 2021 for those charged with governance (The Board) 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 Board's financial statements give a true and fair view of the financial position and net expenditure for the year.
- the 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 (FRoM), alongside the NHS Manual for Accounts.
- the Board's financial statements and the audited parts of the Remuneration 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 also report whether other information published together with the audited financial statements in the Annual Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We 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 2021. Our findings are summarised on pages 23 to 25. We have identified 2 adjustments to the financial statements that have resulted in a £0.548 million adjustment to the Board's net expenditure for the year. Audit adjustments are detailed in Appendix 1 and included some disclosure corrections as well as a reduction in the Fixed Term Contract (FTC) accrual and reduction to both trade payables/accruals and prepayments.

We raised two recommendations for management as a result of our audit work (Appendix 2) relating to the year-end review of prepayments and the FTC accrual and reporting of operational performance targets to the Board.

Minor control improvements were noted in relation to journals and the Board's year-end impairment review, these have been communicated to management via a letter due to their minor nature. There were no outstanding audit recommendations from 2019/20 which we were required to follow up.

We conclude that the Remuneration 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 the 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 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 these risks and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

NES met its financial targets for 2020/21. The Board achieved a surplus of £844,000 against its Resource limit. Despite achieving a balanced position in 2020/21, NES continue to operate within a challenging financial environment, achieving savings of £2.5 million to meet the in-year financial budget.

Covid-19 had an impact on NES's operating activity and costs during the year. To support the Board's ongoing response to the global pandemic and recovery plan, the Board received an additional £10.25 million of funding in year. The gross Covid-19 costs to NES totalled £16.4 million (£14.8 million revenue and £1.6 million of capital), however, this was offset against £6.2 million of savings as a result of the pandemic. Additional narrative on Covid costs and savings can be seen on Page 8 of this report.

Looking toward 2021/22, NES prepared a detailed one year financial plan. A funding gap of £2.3 million was identified. Efficiency savings to address this funding gap have been identified through vacancy lags and procurements savings. The Board have estimated £3 million of non recurrent Covid-19 costs in 2021/22, which is expected to be fully funded. It remains important for the Board to consider their medium term financial sustainability by forecasting over future years, including assumptions over what may fluctuate.

The pandemic resulted in changes to governance structures during the year, including standing down certain committees and updating Standing Financial Instructions to prevent bottlenecks in approval processes. The Board are starting to move from "Governance Light" to a "Re-Design Whilst Recovering" phase of Governance, taking into account key learnings and successes of the governance process during Covid-19.

Throughout the year, NES continued to look to enhance how it can, through best use of public resources, create and maximise public value. Performance reporting to the Board was stood down in Q1 and Q2 due to the pandemic but recommenced in Q3. It was noted that there are 601 operational performance targets in total, with 111 of these designated as priority targets which are reported to the Board. There is an opportunity for the Board to consider how to enhance this reporting going forwards to ensure strategic targets are considered, supported by specific key performance indicators (KPIs).

NES welcomed a new Chief Executive Officer in February of 2021, with the Interim CEO stepping back into their Medical Director position. It is recognised that the role of the Board continues to evolve with an increased role in Digital, linking to the wider NHS Digital strategy. Additional funding for NES Digital Services has been confirmed for the next 3 financial years. NES is continuing to work closely with Scottish Government's Health and Social Care Workforce Directorate to develop national strategy for leadership, development and succession planning for health and social care with specific reference to the recommendations of the Independent Review of Adult Social Care (Feeley Report). The Board have continued to work with the National Boards, considering how collaboration may result in potential savings.

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 NES. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee on the 31st March 2021.

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

- An audit of NHS Education for Scotland'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 the NHS Education for Scotland's participation in the National Fraud Initiative (NFI) and
- Any other work requested by Audit Scotland - in particular the NHS overview data set which we will receive in June, for completion by end of August.

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 Education for Scotland 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 external audit work

We aim to add value to management and those charged with governance through our external audit work. We use our wider public sector knowledge, to deliver an ISA risk based compliant audit, based on our determined materiality. 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 two adjustments to the financial statements that have resulted in a £0.548 million adjustment to the Board's net expenditure for the year.

We have also raised two 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 independence 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 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 10th 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. In addition, later in May, in line with our agreed timetable, we received a well prepared draft front end of the accounts, including other information.

There were 2 audit adjustments to the draft primary financial statements. We also identified a couple of disclosure adjustments in respect of the draft financial statements. A full listing of adjusted misstatements is detailed in Appendix 1. No unadjusted misstatements were identified during the audit process.

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. We have decided to remain at our planning audit materiality, based upon forecast expenditure. It is set at £10.8 million for the Board, representing 2% of budgeted gross expenditure per the December Finance Report. Our calculation based upon the 2020/21 draft financial statement figures resulted in an increase to audit materiality, to remain prudent and in line with testing performed at interim we have remained at planning 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 Directors Remuneration disclosures within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000)

Service auditors report

NES 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. During 2020/21 the service audit reports from KPMG on NSS Payroll and NSS' National IT contract for services provided by ATOS Origin Alliance supporting eFinancials were unqualified, the KPMG report on NSS Practitioner & Counter Fraud Services was qualified. The BDO service auditor report over National Single Instance (NSI) eFinancials was unqualified.

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 satisfied that the qualified opinion does not impact on our audit work. In addition, the deficiencies identified in the qualified report do not materially impact NES and, we, therefore, do not believe that a disclosure in the Annual Governance Statement is required for this.

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 Education for Scotland's financial performance during 2020/21

NES met its financial targets for 2020/21. The Board delivered a balanced position, achieving a small surplus of £844,000 against its Resource limits.

Despite achieving a small underspend in 2020/21, NES continue to operate within a challenging financial environment, relying on recurring and non-recurring savings of £2.5 million to achieve the in-year financial budget.

The Impact of Covid-19

Covid-19 had an impact on NES's operating activity and costs during the year. To support the Board's ongoing response to the global pandemic and recovery plan, the Board received an additional £10.25 million of funding in year. The gross Covid-19 costs to NES totalled £16.4 million (£14.8 million revenue and £1.6 million of capital), however, this was offset against £6.2 million of savings as a result of the pandemic.

The costs incurred and savings realised have been outlined in the included table by Directorate.

Key costs included:

- an additional £6.7 million for training programme management mainly relating to the employment of 575 interim FY1 trainees as well as out-of-programme trainees returning to service posts and extensions for some hospital based trainees where it was expected to take longer to meet examination and competency requirements.
- £2.9 million Nursing, Midwifery and Health Professionals (NMAHP) costs where all student nurses who were placed in non-NHS settings were employed by the Scottish Government to support the pandemic response.
- £1.3 million of digital costs relating to development costs and overtime for projects including the accelerated recruitment portal, TURAS clinical assessment tool, Care Management App and the Vaccination programme, including the hiring of additional contractors.
- In addition, £1.6 million of capital costs were incurred for the development of the vaccination programme among other digital developments at NES to support the response to the pandemic. These assets have been capitalised in year as either assets under development or additions.
- Costs incurred across other directorates were smaller in total and related to various things, including additional workforce costs for the accelerated recruitment portal, staff employed for various posts as well as costs to reconfigure offices to meet the requirements of the pandemic.

In addition to the costs incurred, NES realised savings of £6.2 million as a direct result of the pandemic relating to activities which no longer took place. These included reduced study leave costs (£0.6 million), GP fellowships and Paediatric fellows not being recruited (£0.8 million), Dental trainee scheme being delayed by 1 month (0.72 million), reduction in dental trainees recruited (£0.6 million), reduced travel and expenses being incurred and other savings such as the cancellation of conferences.

NES have estimated £3.1 million of Covid-19 related costs for the 2021/22 financial year, all of which is expected to be fully funded. The main element of these costs relate to staffing, including IT contractors and remedial training for trainees.

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over)/under £'000
RRL- core	535,383	534,539	844
RRL- non-core	1,134	1,134	0
Total	536,517	535,673	844

Directorate	Covid-19 Capital Costs £'000	Covid-19 Revenue Costs £'000	Covid-19 Savings £'000	Net Covid spend £'000
Medical-Training Programme Management excl. training grades	-	(6,703)	1,613	(5,090)
Medical - Professional Development	-	(148)	1,394	1,246
Medical - Other	-	(198)	536	338
Dental	-	(1,152)	1,667	515
NMAHP	-	(2,916)	354	(2,562)
NDS	(418)	(390)	-	(808)
Digital	(1,184)	(1,347)	65	(2,466)
Other Directorates incl. medical training grades	(49)	(1,979)	605	(1,423)
Total	(1,651)	(14,834)	6,234	(10,251)

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 communicated to the Audit and Risk Committee on the 31st March 2021.

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 key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement.</p>	<ul style="list-style-type: none"> • 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. • 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 are appropriate and suitably recorded in the financial ledger; and • Testing of transactions around the financial year end such as accruals and cut-off, reviewing large journals and those which appear unusual to understand the rationale for the transaction.
	<p>Conclusion</p> <p>Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indication of fraud or inappropriate management bias that could result in a material misstatement.</p>

Risks identified in our Audit Plan

Risk of fraud in expenditure recognition

As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. Therefore we do not consider there to be a significant risk of fraud in this expenditure stream.

We focus our risk on year-end cut-off arrangements where it may be advantageous for management to show an enhanced/different financial position. As financial performance targets are measured on year end outturn, we consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.

Commentary

- We performed walkthroughs of the controls and procedures over other operating expenditure streams;
- Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording;
- Focused substantive testing of expenditure recognised one-month post year end to identify if there is any potential understatement to address the risk of cut-off;
- Focused substantive testing of expenditure in the final two months of the year to identify if this has been potentially overstated 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 understatement or overstatement of balances held through consideration of accounting estimates; and
- Review of prepayments, to consider if there is an indication of understatement or overstatement of balances held.

Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. In addition, we did not identify any exceptions in the completeness and accuracy of provisions balances at year end. However, our testing of prepayments identified a number which were incorrectly classed as prepayments with a corresponding entry to trade payables/accruals, this resulted in assets and liabilities both being over-stated on the balance sheet, which have now been corrected.

This had a trivial impact on NES's expenditure balance. An adjustment has been raised for this at Appendix 1 and *Action Plan Point 1* has been raised at Appendix 2. Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of NES (regularity testing).

Significant estimates and judgements

NES's financial statements include the following significant accounting estimates and judgements impacting on the annual accounts:

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Other (Dilapidations) Provision</p> <p>£4million</p>	<p>NES recognises dilapidations provisions for each of its leases. These represent 'exit costs' for a tenant at the end of a lease to restore the property back to its original state. At March 2021, the dilapidations provision was estimated at £4 million.</p> <p>Dilapidation costs are estimated at the start of each lease and based on the lease end dates or first break point, using discount rates published by HM Treasury. NES use a management expert surveyor to estimate the costs and receive a written report from them.</p> <p>Management have disclosed within their accounts that the estimates and judgements used in this calculation may cause a risk of material misstatement to the carrying amount of assets.</p>	<p>We have agreed the provisions to the independent reports and agreed the underlying accounting entries.</p> <p>We have performed an assessment over the competence of the professional valuer.</p> <p>We are satisfied that the provision has been appropriately reflected in the financial statements.</p>	Light purple
<p>Creditors – Annual Leave and Flexi Accrual</p> <p>£1.131million</p>	<p>NES recognise an accrual for annual leave and flexi leave due but not yet taken by employees. This year, due to Covid-19 the Scottish Government removed the usual cap for annual leave carry forward. Information for the calculation of the accrual is extracted from the NES Annual leave app in relation to hours not taken and costs are applied based on actual salaries. However, it is recognised that some categories of employees do not use the app including GP Trainees and some employees do not keep the app up to date. For these, average carry forward hours were used based on the population of employees where the app was up to date.</p> <p>Management have disclosed the impact on the accrual if this assumption is out by 5%, with a resultant trivial increase/decrease of £18,000.</p>	<p>The first draft of the accrual contained some formulaic errors, resulting in the calculation being incorrect. However, an updated version was provided which showed a trivial difference to the original calculation. We have reviewed the assumptions used by management and performed sensitivity analysis over these. We are comfortable that the assumptions used by management have not resulted in a material error in the accrual.</p>	Light purple

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Fixed Term Contract Accrual £0.93 million	NES accrue for costs in respect of payments for redundancy for staff on fixed term contracts. This is where employees who have been unable to obtain suitable alternative employment at the end of their contract and who have more than 2 years' continuous service, will be entitled to a redundancy payment in line with Agenda for Change Terms and Conditions. NES accrued for the full potential redundancy payment of staff on a fixed term contract, excluding categories of staff who would not be entitled such as modern apprenticeships or maternity cover.	<p>On review of the accrual, it was identified that some employees accrued had not yet reached 2 years service and, therefore, there was no current obligation to pay these costs. In addition, some employees included had posts which have funding available past the contract end date, and it would therefore be unlikely that their service would be terminated and conditions for redundancy met.</p> <p>We asked management to review their approach to this accrual and a revised calculation was provided taking into account future funding and service to date. On receipt of the revised calculation a further error was notified where an employee whose redundancy costs had been accrued for had resigned prior to year-end, and therefore, these costs should not have been recognised. These revisions resulted in an adjustment being made, as detailed in Appendix 1. In addition, we have raised a recommendation in relation to reviewing this balance prior to inclusion in the accounts for 2021/22. <i>Action Plan Point 1</i></p>	Grey

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 considered optimistic or cautious

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) and the Code.

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 accruals. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 9.
- 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 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.

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 through 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. No matters have been identified for reporting.
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	You have not made us 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
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 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 there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Governance statement	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at NES. The Report includes the Statement of the Accountable Officer's responsibilities and those of the members of the Board and had 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>At NES, Directors certify to the Chief Executive that appropriate arrangements are in place within their directorate to deliver best value. These, along with 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>
Written representations	<p>A letter of representation has been requested from the Accountable Officer (Chief Executive), which is included in the Audit and Risk Committee and Board papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for intangible assets and provisions, including the dilapidations provision.</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 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 addition, 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 NES in investigating matches. The Board has made good progress in investigating matches and should be in a position to complete and record all investigations by 30 September 2021. As at May 2021, the Board had investigated 961 out of 1004 matches.. We conclude that the Board is fully engaged in the NFI process.</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 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 two significant wider scope risks in relation to medium term financial sustainability and governance and transparency during the Covid-19 pandemic. 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>During 2020/21, we have assessed the Board's financial performance in year (see page 8). The Board operated within its financial resource targets, achieving this while operating in a period of considerable uncertainty as the Board looked to respond to the operational and financial challenges in managing the impact of Covid-19 on service delivery. To support the Board's ongoing response to the global pandemic and recovery plan, the Board received an additional £10.25 million of funding in year. The gross Covid-19 costs to NES totalled £16.4 million (£14.8 million revenue and £1.6 million of capital), however, this was offset against £6.2 million of savings as a result of the pandemic. See further analysis on the costs and savings at Page 8.</p> <p>The pandemic additionally meant that a move to home working was required. For NES, key financial controls were still able to be maintained through virtual working and existing systems. An internal audit review was performed during the year looking at Covid-19 financial controls and this concluded that there are robust processes in place for financial reporting and budget monitoring. Changes to standing financial instructions were approved by the Board in May 2020 and the changes made were to reflect potential bottlenecks in the approval processes due to staff sickness or otherwise.</p> <p>As part of our financial statements audit 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, papers and other corporate publications.</p>	<p>Through our audit procedures performance we have not identified any significant risks or deficiencies in relation to NES's financial management arrangements.</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>Medium Term Financial Sustainability</p> <p>Consideration of the medium term financial sustainability of NES in the context of the SGHSCD medium term financial planning framework. To consider how Covid-19 has impacted on the NES financial strategy and particular areas of cost pressures, including the level of savings NES requires to deliver in the year and in the future, on a recurring basis to be financially sustainable.</p>	<p>Response to significant risk:</p> <p>In 2019/20 NES prepared a 3-year financial plan, in line with the Medium Term Health and Social Care Financial Framework. For 2021/22, the Scottish Government requested a one-year financial plan, reflecting the impact of Covid-19 on service delivery and finances. We reviewed the plan for 21/22 including the key assumptions and cost pressures which had been identified.</p> <p>A funding gap of £2.3 million was identified. Efficiency savings to address this funding gap have been identified through vacancy lags and procurements savings, of which £1 million has identified as being recurring. The plan identified a savings gap of £0.1 million, a reduction from £5 million in 2020/21, in relation to Training Medical Grades. The gross recurrent pressure is £18.5 million, arisen due to increases in baseline funding not meeting the pace of the impact of HMRC policy changes. However, £18.4 million of this is offset against non-recurring savings relating to trainees working less than full-time, GP placement vacancies and out of programme trainees being paid at 2016/17 and 2018/19 prices. NES received confirmation from Scottish Government that they will underwrite any funding gap in relation to medical training grades, provided the Board manage the pressure as far as possible and received an additional £3 million recurrent funding. This has helped support NES' position for 2021/22.</p> <p>In 2020-21 Covid-19 had a net impact of £10.25 million on NES. It is estimated there will be £3 million of non-recurrent Covid-19 related costs for the 2021/22 financial year, all of which is expected to be fully funded. The main element of these costs relate to staffing including IT contractors and remedial training for trainees.</p> <p>It is also recognised that the role of the Board continues to evolve with an increased role in Digital, linking to the wider NHS Digital strategy. Additional funding for NES Digital Services has been confirmed for the next 3 financial years which has been built into financial plans.</p> <p>Whilst NES have prepared an annual plan, as per SG requirements, which identifies savings efficiencies, it remains important for the Board to consider their medium term financial sustainability by forecasting over future years, including assumptions over what may fluctuate. In addition, there is an opportunity for NES to consider savings which will be realised due to changes to delivery, influenced by the pandemic.</p>	<p>Through our audit procedures we are comfortable that NES prepare financial plans which take into account key assumptions and communicate these effectively with SGHSCD to reach an agreed position. The funding gap of £2.3 million has associated efficiency savings identified which appear reasonable.</p> <p>Recognising the difficult financial environment in which NES operate, and the further uncertainties in financial planning as a result of Covid-19, NES should continue to consider financial planning in a medium term context. Including considering how service redesign will impact their underlying budget.</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: Governance and transparency during the Covid-19 pandemic.</p> <p>Recognising the changes made to governance over the pandemic, we have reviewed the openness and transparency of governance including decisions made.</p>	<p>Response to significant risk:</p> <p>We sought to understand the Board’s governance arrangements during the Covid-19 pandemic. This has included review of Board and key committee meetings during the year, inquiries of Management and attendance at the Audit and Risk Committee.</p> <p>Our review identified that changes to governance structures, including standing down certain committees was appropriately communicated and documented throughout the year. The Executive Team (Extended), in addition, kept a key decisions log including decisions relevant to Covid-19 and this was reported to the Board for transparency. Changes to standing financial instructions were approved by the Board in May 2020 and the changes made were to reflect potential bottlenecks in the approval processes due to staff sickness or otherwise. We deem the changes made to be appropriate and to have been communicated effectively. Our review of committee agendas and papers did not identify any gaps in the governance process during the Covid-19 pandemic. It is noted that the decision was taken to formally stand down the Finance and Performance Committee with the Audit and Risk Committee taking on a wider role in relation to financial aspects previously considered by this committee. It was recognised that responsibilities in relation to performance scrutiny required further consideration, with it being anticipated that this would form part of the Board’s remit.</p> <p>In March 2021 the Board approved the movement from “Governance Light” to a “Re-Design Whilst Recovering” phase of Governance from April onwards. This considered the inclusion of principles and processes which had been successful during the “Governance Light” period including, taking papers ‘as read,’ use of timed agendas and ensuring agenda items are prioritised in light of the strategic context with only talking to essential items during meetings. Reflecting on how processes could be improved going forwards will support the ongoing governance and transparency of the Board.</p> <p>We have not identified any further risks or significant deficiencies in governance arrangements, leadership and decision making at the Board.</p>	<p>Through our audit procedures we have not identified any significant risks or deficiencies in relation to NES’s arrangements for ensuring appropriate governance and transparency. We are comfortable the decisions taken during the Covid-19 pandemic have been reported and approved by the Board as expected.</p> <p>We note the consideration required in relation to performance scrutiny following the standing down of the Finance and Performance Committee and we will review how this is further determined and operating in 2021/22, and whether this contributes to good and effective governance.</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>No significant wider scope risks identified</p>	<p>From review of minutes and committee papers, there is focus on performance and effective use of resources. NES continued to look to enhance how it can, through best use of public resources, create and maximise public value.</p> <p>Performance targets are set based on the Annual Operating Plan 2020/21 (which was later replaced by RMP2) . These include 601 operational performance targets in total, with 111 designated as being priority targets. The reporting against these targets included all priority red and amber targets and all other red targets. This resulted in 50 targets being reported to the Board in total in February 2021. In addition to the above, NES report against the Board’s strategy ‘NES Strategy 2019-24.’ Progress against the five strategic themes is consider supported by examples.</p> <p>The Board should be focusing on achieving key strategic priorities and the achievement of these throughout the year. Whilst this is done through the annual report against the Board’s strategy, it is not clear how the targets within the performance reporting relate to the strategic themes and if multiple targets sitting as red or amber impact one key theme which then requires additional focus to rectify. Additionally, reporting against a large number of operational targets makes it difficult for the Board to assess performance against strategic priorities.</p> <p>There is an opportunity to enhance the performance reporting to the Board to focus on strategic priorities by developing a suite of Key Performance Indicators that target key achievements. Whilst operational targets should remain, there is an opportunity to refresh these as we emerge from the Covid-19 pandemic and consider if any have been fundamentally impacted meaning they are no longer relevant or have been superseded. <i>Action plan finding 2</i></p>	<p>NES demonstrate a focus on ensuring that resources are used efficiently, effectively and economically. On an annual basis they undertake a value for money self-assessment presented to the Audit Committee.</p> <p>Performance targets are reported throughout the year, albeit on a less frequent basis in the current year, as a result of the Covid-19 pandemic. We have suggested streamlining these targets, or those which are presented to the Board as an area for improvement.</p>

Wider scope – Consideration of fraud controls within procurement

In 2019-20, Audit Scotland instructed auditors to treat fraud and corruption in respect of the procurement function as a particular area of focus. Initially, this was to be considered in either 2019/20 or 2020/21. Due to the pandemic, however, auditors were allowed to defer consideration of this risk until 2021/22.

Through initial conversations with NES, we decided to focus on this area within the current year. At the planning stage we did not identify a wider scope significant risk in relation to fraud and corruption within the procurement function within the Board. We have outlined the work performed as part of the audit and our conclusions in relation to this area.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
<p>Fraud and Corruption within the Procurement Function</p> <p>Fraud and corruption within procurement is concerned with the effectiveness and appropriateness of arrangements in place to prevent and detect fraud through risk areas such as illicit rebates, kickbacks and false invoicing.</p>	<p>No significant wider scope risks identified</p>	<p>Through our discussions with finance and operational procurement team (OPT) and review of processes, we have not identified any significant audit risks in relation to Fraud and Corruption within the Board's Procurement Function.</p> <p>We have performed a walkthrough of the procurement function from purchase order to payment. Through this we have gained an understanding of the controls in place, including final checklists for new supplier take-on and appropriate review of tenders over £25,000. These controls are enforced via the PECOS purchasing system where authorised limits are set.</p> <p>We have inspected and confirmed that the policies in place with regards to hospitality, gifts and whistleblowing are appropriate. Through discussion with NES personnel we are comfortable that there are arrangements in place to encourage and protect whistle-blowers.</p> <p>Internal audit considers the procurement function as part of its rolling programme and most recently a review was undertaken in January 2021. This reported good design of controls in place with testing confirming these were followed appropriately. We considered if the low risk recommendations raised as part of this report had been addressed and noted good progress had been made. Procurement risks are adequately included in the finance risk register and considered on a regular basis.</p> <p>In 2020/21 emergency powers were utilised to allow both the Head of Finance and the Head of Procurement to provide final sign-off for Tender Waivers. This function was previously limited to only the Director of Finance. Given the urgency brought by Covid-19, this policy change is deemed appropriate. NES should consider whether it is appropriate to continue with these practices going forwards.</p>	<p>Through our audit procedures performed we have not identified any significant risks or deficiencies in relation to NES's arrangements over fraud and corruption within the procurement function. Policy and procedures are appropriate to the level of risk at the Board with no issues noted in our testing and review of controls in place.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements whether or not the accounts have been adjusted by management. Trivial was set at £250,000.

We are pleased to report there were no uncorrected misstatements to the financial statements arising during our audit.

Impact of adjusted misstatements

Adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Adjustment to Fixed Term Contract Accrual with some being incorrectly recognised	Staff Costs – Cr £ 558	Accruals – Dr £558
Overstatement of Trade Payables/Accruals and Prepayments for services not received nor paid for	Expenditure – Dr £10	Trade Payables – Dr £2,016 Accruals – Dr £572 Prepayments – Cr £2,598
Overall impact	Cr £548	Dr £548

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted
Remuneration Report	Minor disclosure adjustments were identified including bandings being incorrect and prior year comparatives being misstated.	✓
Financial Instruments	The financial instruments disclosure note included in the draft accounts was not in line with the requirements of the FReM and did not show how the financial assets and liabilities were measured.	✓

2. Action plan and recommendations

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

Recommendation

1. Prepayments & FTC Accrual year-end review

Through our review of prepayments at year-end, we noted a number where the service related to 2021/22 but no payment had been made for these service, meaning they were not a true prepayment. This was due to invoices being received for the service prior to the 31st of March 2021 or accruals being made incorrectly for these items at year-end. This resulted in an over statement of the balance sheet for prepayments as well as trade payables and accruals. In addition, the initial calculation of prepayments by management had some prepayments calculated incorrectly, with some prepayments omitted.

Separate to this, errors were noted in the initial calculation of the Fixed Term Contract (FTC) accrual and in the revised version of this calculation too. Going forwards, management should consider each employee on an individual basis for likelihood of redundancy payments and provide for those who do not yet meet the conditions.

We recommend that management review their approach to prepayments and the FTC accrual at year-end and ensure a review is performed and checked internally prior to inclusion in the accounts.

Agreed management response

Management response: Accepted.

Prepayments:

The accruals were system generated and although we correctly identified that they should not hit the Operating costs, the contra entry should not have gone to Pre-payments. We will put a process in place to ensure that the correct balance sheet codes are used in future periods and differentiate between invoices and system generated accruals.

FTC Accrual:

In order to calculate the movement on the overall accrual value data available on our systems as at April was used as the base. The testing carried out by audit highlighted that this information can quickly become out of date which has resulted in the late changes to the accounts from the draft version used at the Annual Accounts workshop. We also acknowledge that we need to consider the split between accrual and provision for future years. We will ensure that the population of staff who fall into the FTC category are reviewed regularly by both finance and HR colleagues to ensure that they are accounted for appropriately.

Action owner: Head of Finance

Timescale for implementation: April 2022

2. Action plan and recommendations continued

Recommendation

2. Performance Targets

There are 601 performance targets in total, with 111 designated as being priority targets. The reporting against these targets included all priority red and amber targets and all other red targets. This resulted in 50 targets being reported to the Board in total in February 2021.

The Board should be focusing on achieving key strategic priorities and the monitoring of these throughout the year. Whilst this is done through the annual report against the Board's strategy, it is not clear how the targets within the performance reporting relate to the strategic themes and if multiple targets sitting as red or amber impact one key theme which then requires additional focus to rectify. Additionally, reporting against a large number of operational targets makes it difficult for the Board to assess performance against strategic priorities.

There is an opportunity to enhance the performance reporting to the Board to focus on strategic priorities by developing a suite of Key Performance Indicators that target key achievements. Whilst operational targets should remain, there is an opportunity to refresh these as we emerge from the Covid-19 pandemic and consider if any have been fundamentally impacted meaning they are no longer relevant or have been superseded.

Agreed management response

Management response:

Accepted. NES has recognised for some time that we need to develop strategic KPIs and this work is already underway and during 2021/22 we shall plan how to evolve our performance reporting for implementation in 2022/23.

Action owner:

Director of Planning & Corporate Resources

Timescale for implementation:

The first proposals will go to the Education and Quality Committee in July for onward consideration by the Board and implementation for reporting performance in 2022/23.

Note there were no recommendations from our 2019/20 report which required follow-up.

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	53,060
Pooled costs	5,830
Contribution to Audit Scotland costs	2,680
Contribution to Performance Audit and Best Value	Nil
2020/21 Fee	60,570

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.

3. 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 Education for Scotland'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		•

