

# **Healthcare Improvement Scotland**

Report to the Audit and Risk Committee and the Auditor General for Scotland  
on the 2021/22 audit

Issued on 16 June 2022 for the meeting on 23 June 2022

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Report and Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Risk Committee (“the Committee”) of Healthcare Improvement Scotland (“HIS”) for the year ending 31 March 2022 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2022.

This report summarises our findings and conclusions in relation to:

- The audit of the **annual report and accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
  - The appropriateness of the disclosures in **the annual governance statement**; and
  - The **financial sustainability** of HIS and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

### Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

Following updates made by management, the Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of HIS.

Following updates made by management, the auditable parts of the Remuneration and Staff Report have been prepared in accordance with the relevant regulations.

A summary of our work on the significant risks is provided in the dashboard on page 9.

We have identified three misstatements above our reporting threshold, relating to Dilapidations, PPE transfers, a VAT recoverable balance in creditors and fair pay disclosures, which are included on page 29 - 30.

# Introduction (continued)

## The key messages in this report (continued)

### Conclusions on audit dimensions

**Annual Governance statement** – The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (“SPFM”) and the Government Financial Reporting Manual (“FReM”).

**Financial sustainability** – HIS has achieved an underspend in 2021/22 and has submitted a balanced budget to Scottish Government which includes a small undefined savings target. Based on historic achievement of in year savings we are satisfied that short term financial balance can be achieved in 2022/23. HIS has a MTFP which highlights small deficits year on year over the medium term and it is positive to note this has been completed given the challenging environment.

Our detailed findings and conclusions are included on pages 18 to 21 of this report.

### Next steps

An agreed Action Plan is included on pages 31 – 33 of this report, including a follow-up of progress against prior year actions.

### Added value

Our aim is to add value to HIS by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help HIS promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our “sector developments” on pages 24 – 26 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to HIS.

During the year, we have also provided guidance on management papers concerning dilapidations and the new remuneration report requirements.

### Managing transition to 2022/23 audits

2021/22 is the final year of the current audit appointments. We will minimise disruption to all parties, and maximise the transfer of knowledge of the Board, by working in partnership with Audit Scotland and the incoming auditors.

We would like to put on record our thanks to the Board, management and staff for the good working relationship over the period of our appointment.

**Pat Kenny**  
Audit Director

# Annual Report and Accounts audit




















# Quality indicators

## Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading			Reason
	FY22	FY21	FY20	
Timing of key accounting judgements				Key estimate for HIS primarily relate to Dilapidations. The management paper for this estimate was not provided at the start of our audit and the initial draft had not considered the estimate in sufficient detail. Following a revised version of this paper and subsequent discussion we have agreed an adjustment of £59k with management.
Adherence to deliverables timetable				Management provided the majority of evidence in a timely manner, in advance of agreed timelines. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel				Deloitte and HIS have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel however throughout the audit it has become evident that there are financial capacity issues at various levels within the finance team due to reduced resource.
Quality and accuracy of management accounting papers				Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts. This is borne out by the resubmission rate on requests for the audit being low, at 11% (2020/21 6%).
Quality of draft financial statements				A full draft of the Annual Report and Accounts was received for audit on 9 May 2022. We identified a number of changes which were required including items that would have been picked up by a more detailed management review.

 Lagging
  Developing
  Mature

# Quality indicators

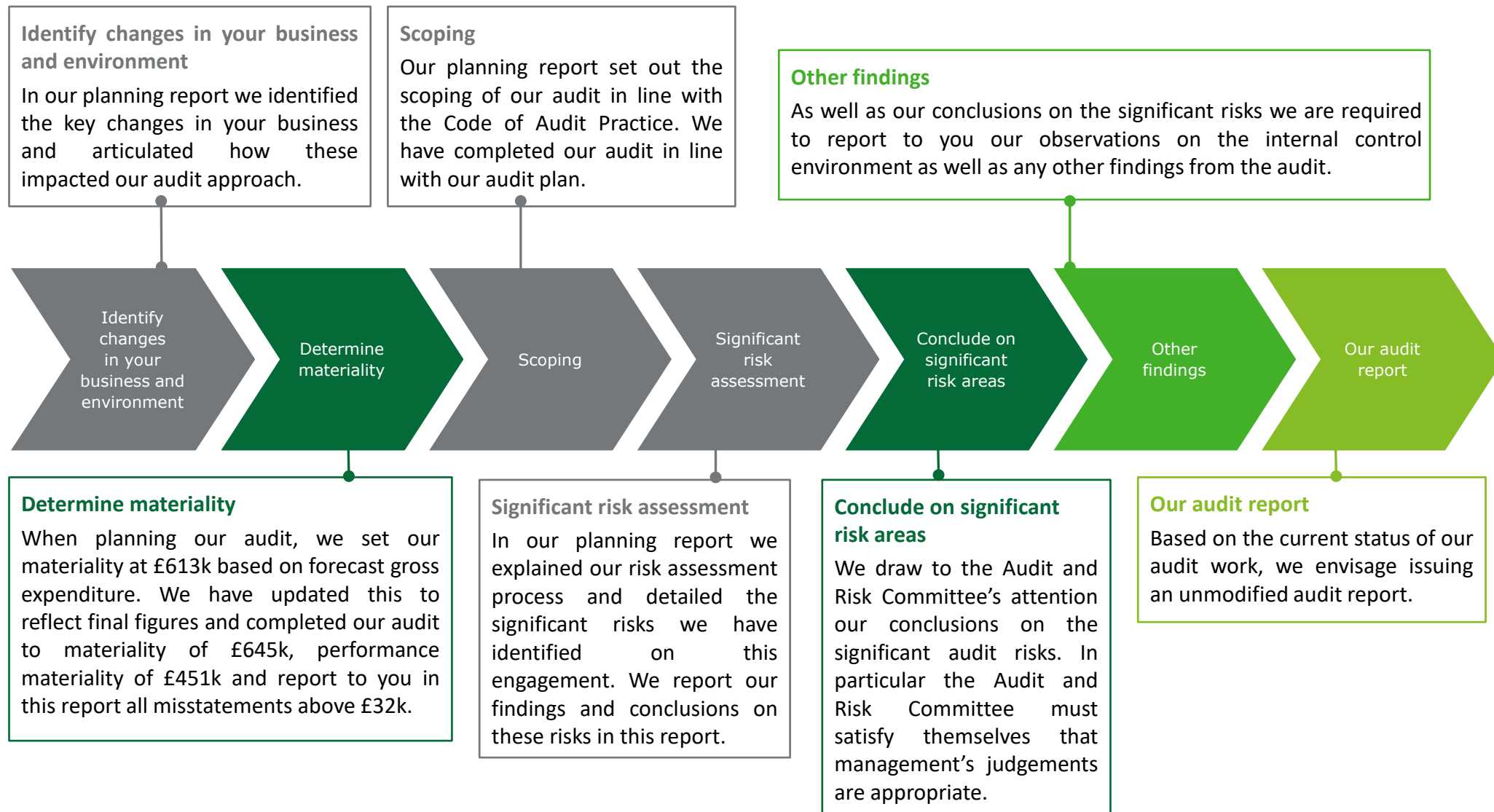
## Impact on the execution of our audit

Area	Grading			Reason
	FY22	FY21	FY20	
Response to control deficiencies identified	!	!	!	Controls deficiencies have been identified and management have investigated appropriately. These are discussed further on page 13.
Volume and magnitude of identified errors	!	!	!	We have identified three financial adjustments above our reporting threshold and further disclosure adjustments as noted on page 29 –30. These adjustments could have been prevented by a more detailed management review as noted on page 13.

 Lagging    Developing    Mature

# Our audit explained

We tailor our audit to your business and your strategy











# Significant risks

## Dashboard

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Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within expenditure resource limits			D+I	Satisfactory		Satisfactory	10
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

**D+I:** Testing of the design and implementation of key controls

# Significant risks (continued)

## Operating within expenditure resource limits



### Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for HIS as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk is that HIS could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk was therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



### Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the target set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to HIS by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year end; and.
- Performing focused cut-off testing of invoices received and paid around the year end.

#### Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

We confirm that the Board has performed within the limits set by Scottish Government Health and Social Care Directorate and therefore is in compliance with the financial targets in the year.

# Significant risks (continued)

## Management override of controls



### Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



### Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

#### Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Tested journal entries and other adjustments throughout the period.

### Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

### Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

#### Deloitte view

Although we have identified a misstatement in the dilapidations provision, we have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

# Significant risks (continued)

## Management override of controls (continued)


**Key estimates and judgements** The key judgement in the Annual Report and Accounts is that which we have selected to be the significant audit risk around expenditure recognition. This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we have reviewed and challenged management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
Clinical Negligence and Other Risks Indemnity Scheme (‘CNORIS’) provision	NHS bodies in Scotland are responsible for meeting negligence costs up to a threshold of £25,000 per claim. Costs above this threshold are reimbursed from the CNORIS scheme by the Scottish Government. The Board provide 100% for Category three claims and 50% for all Category two claims notified by the NHS Central Legal Office (‘CLO’), according to the value of the claim. As at 31 March 2022, there were no claims specific to HIS included in the provision. This provision recognises HIS’ respective share of the total liability of NHS Scotland as advised by the Scottish Government, based on information from NHS Boards and the Central Legal Office.	<p>The provision is valued by the CLO based on the information on claims and historical experience. The value of claims is notified to HIS by the CLO. We have obtained independent confirmation directly from the CLO that there are no specific claims against HIS outstanding at 31 March 2022.</p> <p>We have received assurance from Audit Scotland on the methodology used in the preparation of these figures and the relevance and reliability of the information provided by the CLO.</p>
Dilapidations Provision	HIS provide for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. A dilapidations provision of £355k has been made in respect of a leased property in Glasgow.	<p>The provision is no longer material however given issues in prior years and continuing regulator focus we assessed this balance at higher risk of misstatement. It relates to the HIS Glasgow office (Delta House).</p> <p>We reviewed the 2021/22 provision and challenged managements judgements and valuation. The outcome of this was an adjustment of £59k (as noted on page 29). Management had omitted a provision in relation to mechanical and electrical equipment in the initial provision.</p>

# Other significant findings

## Internal control

During the course of our audit we have identified one internal control finding, which we have included below for information.

Area	Observation	Priority
<b>Management Review</b>	Throughout the audit, disclosure deficiencies were identified in relation to the Remuneration and Staff Report disclosures (specifically fair pay calculations, headcount and omissions on staff turnover). We also identified financial statement misstatements as detailed on page 29. These could have been prevented through a more in-depth management review, where by errors of this nature could have been identified prior to the audit, reducing the requirements for corrections to be made and increasing the efficiency of the audit for both HIS and Deloitte. This is a recurring finding whereby similar issues were identified in the prior year audit. Our recommendation is detailed in the prior year action plan follow-up on page 33.	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

# Other significant findings

## Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

### Qualitative aspects of your accounting practices:

HIS' Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual ('the FReM'). Following our audit work and the updates made to the annual report and accounts highlighted on page x, we are satisfied that the accounting policies are appropriate.

### Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organization. We also discussed the potential short-to-medium term impacts on HIS arising from the Independent Review of Adult Social Care in Scotland.

### Regulatory change

IFRS 16, Leases, comes into effect on 1 April 2022, therefore will be first implemented in financial year 2022/23. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. We have considered the preparatory work carried out by management and the disclosures made in the 2021/22 Annual Report and Accounts and satisfied that the new standard has been appropriately considered.

### Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

We will obtain written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



### **Our opinion on the financial statements**

Our opinion on the financial statements is expected to be unmodified.



### **Material uncertainty related to going concern**

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

### **Opinion on regularity**

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.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 16.



# Your Annual Report

We are required to provide an opinion on the auditable parts of the Remuneration and Staff Report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines HIS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by HIS.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We highlighted areas where amendments were required the only significant one being the disclosure of performance against HIS's key performance indicators.
The Accountability Report	Management have ensured that the Accountability Report meets the requirements of the FReM, comprising the governance statement, Remuneration and Staff Report and the Parliamentary Accountability Report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts, has been prepared in accordance with the Accounts Direction and is consistent with our knowledge of the entity. No exceptions have been noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes and have received an updated version reflecting these changes.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that – following updates made by management it has been prepared in accordance with the Accounts Direction. Updates were required in relation to the fair pay disclosure for which there were new requirements this year. The percentage change year on year and associated narrative was omitted. The calculations required for the quartiles were initially incorrect.</p>

# Audit dimensions



# Audit dimensions

## Overview

As set out in our Audit Plan, the Code of Audit Practice sets out four **audit dimensions** that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.



In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our Audit Plan has not changed. Our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the annual governance statement (which is discussed on page 16) and
- The financial sustainability of HIS and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

In addition to the above, we have reviewed the HIS’s arrangements for the prevention and detection of fraud and irregularities. Overall we found HIS’s arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

# Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a long-term (5-10 years) financial strategy?



Is investment effective?



**Financial Sustainability**

## Short term financial planning

The 2021/22 budget of £29.1m was approved by the Board on 24 March 2021. This incorporated £1.5m of savings split £0.7m in relation to staff turnover and £0.8m of non-recurring savings. It has been updated throughout the year to include in-year movements and the final outturn as reported in the Annual Report and Accounts is an underspend of £282k (0.8%). The Senior Management Team and Board regularly review progress against budget throughout the year. From review of the reporting throughout the year, variances are clearly reported and explained.

The 2022/23 budget of £39.3m, was approved by the Board on 23 March 2022, being a deficit budget of £384k. This includes the assumptions below:

- Baseline Funding uplift from the SG of 2%;
- Pay and non-pay costs inflation of 2%; and
- Decrease in staff turnover from 9.1% in 2021/22 to 5.8%.

We would always recommend that bodies set a balanced budget from the outset so that unforeseen cost increases can be managed within the envelope set by Scottish Government. Inflation in 2022 is already above 2% for costs which represents a challenge to an already deficit budget. While on the other hand the assumption of 2% uplift in Scottish Government allocation has been met (to date).

HIS did submit a balanced budget to the Scottish Government absorbing the deficit into directorate budgets with a requirement for each directorate to balance their budget over the course of the year. This means that all savings plans are not fully identified which is not best practice.

Based on the above and historic achievement of in year savings we are satisfied that short term financial balance can be achieved in 2022/23.

# Financial sustainability (continued)

## Medium-to long-term financial planning

Under normal circumstances, the Scottish Government require NHS Boards to demonstrate financial balance over a medium-term three-year period, via submission of a three-year financial plan. This requirement was put on hold in 2021/22 due to the impact of COVID-19, and the Scottish Government has advised that it is only expecting a one-year Annual Operating Plan for 2022/23.

Whilst there is no Scottish Government requirement for a three-year financial plan, it is positive to see that HIS has developed one and a 5 year outlook, which anticipates a small overspend position over that period of £0.6m. Work is underway on the three year plan in line with the Scottish Government deadline in July 2022.

The Strategic Plan for 2022-2027 has been drafted and sets out a clear direction, focused on delivering Scotland's national outcomes in the national performance framework. The approval and publication of the strategy has been delayed due to the NHS remaining on an emergency footing for the majority of 2021/22.

An interim workforce plan has been created for 2021/22. Although it is useful to have a workforce plan in place this should act as a strategic document aligned both to the strategic plan and financial plan over the medium term. In our previous reports we have provided information on good practice in this area. We are aware Scottish Government have extended the deadline for this to August 2022.

## Effective investment

From the disclosures within the Performance Report, HIS have completed 13% of projects during the year with a further 66% on track and 21% delayed mainly due to ongoing system pressures.

HIS began establishing a new change programme in 2019/20 which now sits under the improvement oversight board. Funding has been allocated to this scheme in both 2020/21 and 2021/22. According to the latest project tracker all projects are in progress but it is unclear based on this tracker what financial benefits are intended to be realised.

It is important that then intended outcome of each project is clearly defined so that its success or failure can be measured once implemented and value for money can be appropriately assessed.

## National Fraud Initiative (NFI)

All NHS Boards are participating in the most recent NFI exercise which commenced in 2020/21. We have continued to monitor HIS's participation and progress in the NFI during 2021/22 and submitted an assessment of HIS's participation to Audit Scotland in February 2022. The information submitted will be used by Audit Scotland in its next national NFI report which is due to be published in the summer of 2022. We concluded that the Board was fully engaged in the exercise.

In line with the Audit Scotland report published on the 2018/19 exercise, we would encourage the Audit and Risk Committee and staff leading the NFI work review the NFI self appraisal checklist for future exercises.

## Financial sustainability (continued)

### **Deloitte view – Financial sustainability**

HIS has achieved an underspend in 2021/22 and has submitted a balanced budget to Scottish Government which includes a small undefined savings target. Based on historic achievement of in year savings we are satisfied that short term financial balance can be achieved in 2022/23. HIS has a MTFP which highlights small deficits year on year over the medium term and it is positive to note this has been completed given the challenging environment. HIS is reporting mixed performance which is understandable given the ongoing NHS response to the COVID-19 pandemic. The project management framework including benefits realisation tracker should be reviewed to ensure it clearly defines a projects intended financial benefits.



# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Audit and Risk Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report and Accounts;
- Our internal control observations; and
- Other insights we have identified from our audit.

## The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

## Use of this report

This report has been prepared for HIS, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

## What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit and Risk Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Pat Kenny, CPFA**

**For and on behalf of Deloitte LLP**

Glasgow | 16 June 2022



## Sector developments



# NHS in Scotland 2021

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## Background and overview

The Auditor General for Scotland published his NHS in Scotland 2021 overview report in February 2022. This concluded that the Scottish Government must focus on transforming health and social care services to address the growing cost of the NHS and its recovery from COVID-19.

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## Key messages

- The NHS in Scotland is operating on an emergency footing and remains under severe pressure.
  - NHS and social care workforce planning has never been more important.
  - The NHS's ability to plan for recovery from COVID-19 remains hindered by a lack of robust and reliable data across several areas.
  - The NHS was not financially sustainable before the pandemic and responding to COVID-19 has increased those pressures.
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# NHS in Scotland (continued)

## 2021 (continued)

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### Recommendations (relevant to NHS boards)

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The report recommends that the Scottish Government and NHS Boards should:

- work with partners in the social care sector to develop a long-term, sustainable solution for reducing delayed discharges from hospital;
- publish data on performance against the clinical prioritisation categories, to enable transparency about how NHS boards are managing their waiting lists;
- work with patients on an ongoing basis to inform the priorities for service delivery, and be clear on how services are developed around patients' needs;
- take a cohesive approach to tackling health inequalities by working collaboratively with partners across the public sector and third sector, and be transparent on how it will do this;
- improve the availability, quality and use of workforce data to ensure workforce planning is based on accurate projections of need;
- monitor and manage risks around the impact of additional work outlined in the NHS recovery plan on the NHS workforce, to make sure recovery does not negatively affect staff wellbeing;
- communicate widely with the public on changes to how services are delivered so that people are aware of how best to access services, and monitor the effectiveness of that communication;
- prioritise the prevention and early intervention agenda as part of the recovery and redesign of NHS services, to enable the NHS to be sustainable into the future; and
- improve the availability, quality and use of data on primary, community and social care so that service planning is based on accurate measures of existing provision and demand.

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### Next steps

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The Board should consider each of the above recommendations and incorporate into plans where not already considered. The full report is available through the following link: [NHS in Scotland 2021 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/nhs-in-scotland-2021)

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# The future of public health report series

## Building a fairer and sustainable system for the UK

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### Background and overview

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The **Deloitte Centre for Health Solutions** has produced a **series of six reports** on the crucial role of public health and the actions needed to optimise the link between health and productivity to drive economic recovery and positive societal impact.

Public health challenges are complex requiring cross functional targeted, approaches to tackle them, alongside a deep understanding of the needs of defined populations. COVID-19 has shown the UK to be an unequal society and has exposed a crisis in public health services, including inadequate funding, variations in workforce capability and capacity and a need for clarity over roles, responsibilities and accountabilities.

The pandemic has raised awareness of public health's role in health protection, ill health prevention as well as health promotion and prolonging healthy life years for all. As well as promoting and prolonging healthy live years for all, it has also demonstrated the potential of public health to use community assets and tackle local health issues effectively.

Despite unequivocal evidence that prevention is more cost effective than treatment, funding cuts and a lack of focus on prevention hinder progress in reducing health inequalities and addressing the impact of social determinants on the physical and mental health of the population.

The full reports are available here [The future of public health | Deloitte UK](#), with some key highlights summarised on the following pages.

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# The future of public health report series (continued)

## Building a fairer and sustainable system for the UK (continued)

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Title	What the report explores
<b>Overview – Narrowing the gap:</b> establishing a fairer and more sustainable future public health	An executive overview of the key findings from the series, examining the current challenges and future requirements for a resilient public health system in the UK.
<b>Identifying the gap:</b> Understanding the drivers of inequality in public health	Evaluating the pre-existing and current challenges and solutions to tackling the ‘wicked problems’ affecting public health, including the impact of COVID-19.
<b>Bridging the gap:</b> Protecting the nation from public health threats	Examining the health protection policies and approaches in the UK, as well as the opportunities brought on by health reform and the creation of the new UK Health Security Agency.
<b>Negating the gap:</b> Preventing ill health and promoting healthy behaviours	Exploring how investment in prevention and health promotion can help increase healthy life years and reduce health inequalities.
<b>Removing the gap:</b> Galvanising community assets to improve health outcomes for all	Demonstrating the importance of asset-based, place-based solutions to improve public health, as well as of creating sustainable and systemic change to empower individuals and communities.
<b>The role of employers in reducing the UK’s public health gap:</b> Improving the health and productivity of employees.	Exploring how organisations can build a more resilient and productive workforce by supporting the health and wellbeing needs of their employees.

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# Appendices



# Audit adjustments (continued)

## Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

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		Debit/ (credit) SoCNE £k	Debit/ (credit) in net assets £k	Debit/ (credit) prior year General Fund £k	Debit/ (credit) SoCTE £k
VAT Recoverable	[1]	-	-	-	-
Dilapidations Provision	[2]				
Transfers	[3]	-	-	-	-
<b>Total</b>					

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[1] This adjustment refers to the reclassification of a VAT recoverable balance (£104k) which was incorrectly allocated to the accruals line in the financial statements.

[2] As set out on page 12, this relates to the increase of £59k in the dilapidations provision for mechanical and electrical items initially omitted from the provision. This increase in costs has been met from the underspend in baseline funding.

[3] This item relates to a reclassification of the transfer of Delta House leasehold improvements from asset under construction to the buildings category. Initially this was presented through the disposals and additions lines when it should be a separate line. The total adjustment is £288k.



# Audit adjustments (continued)

## Disclosures

### Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Remuneration and Staff Report: <ul style="list-style-type: none"><li>- Fair pay disclosures in relation to the % change year on year and associated narrative were omitted;</li><li>- Calculations relating to the median and quartiles did not exclude the highest paid director</li><li>- Single total figures of remuneration did not disclose both the actual and FTE remuneration for individuals who were not in post for the full year; and</li><li>- There were arithmetic errors throughout the remuneration report.</li></ul>	FReM 6.5	Qualitative – This report and the items disclosed within are of significant interest to the users of the accounts.

# Action plan

## Recommendations for improvement

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No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	NFI	Key Contact and Audit and Risk Committee should review the self-appraisal checklist as a means of monitoring the body's planning and progress with the 2020/21 NFI exercise.	The NFI self-appraisal checklist will be completed and submitted to the Committee ahead of the 2023/24 exercise.	Finance Manager	September 2023	Low

## Action Plan (continued)

We have followed up the recommendations made in our previous years audits. We are pleased to note that one recommendation has been fully implemented with another partially implemented, with plan in place to implement this fully.

Recommendation	Management Response	Priority	Management update 2021/22
<p><b>1.1.</b> HIS need to increase their focus on identifying recurring savings, through the use of available funding for transformation change to drive the change/improvement needed to bring HIS to a financially sustainable position. These efforts will be aided through the development of a 5 year financial and workforce planning approach.</p>	<p>The Internal Improvement Oversight Board remit is to drive efficiency. This coupled with improvements in workforce planning will deliver improvements in recurring savings. HIS operates medium-term financial planning aligned to the Scottish Government framework. This is a 3 year plan which is funded on an annual basis. Extrapolating beyond 3 years proves significantly less reliable particularly in the current climate and given that circa 25% of current funding is on an annual basis which makes planning beyond 3 years problematic.</p> <p>The budget for 2020/21 includes a bridging fund to enable investment in capacity for QAD, Evidence and Corporate Services and this is included in the Workforce Plan. The fund will also support digital investment to enable improved efficiency and effectiveness.</p>	High	<p><b>Fully implemented</b></p> <p>This action has been completed during 21/22. During the 22/23 budget process there was a strong focus on recurring savings, with no material overlays or targets without a specific initiative and plan behind it.</p> <p>The development of our five year financial plan has allowed us to quantify and prioritise the level of recurring savings required in order to achieve financial stability.</p> <p>The IIOB continues to be our key delivery vehicle for recurring savings, with their main focus in 22/23 on delivery of recurring benefits. There is a continuous process of identifying recurring savings, which in turn are investigated and prioritised by the IIOB and Executive Team.</p>
	<p><b>Responsible Person:</b> Director of Finance &amp; Corporate Services</p>		
	<p><b>Revised Target Date:</b> 31 March 2022</p>		

## Action Plan (continued)

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Recommendation	Management Response	Priority	Management update 2021/22
<p><b>1.2</b> We would recommend that a detailed review of supporting listings and documents is undertaken prior to preparing the draft Annual Report and Accounts.</p>	<p>Management reviews did take place. The audit started approximately 1 week earlier than the 18/19 audit, this combined with logistical difficulties relating to COVID-19 meant that management review in some areas overlapped with the audit of information. For the 20/21 audit we will look to commence this a week later and will ensure no overlap between management review and provision of data for audit. We will also work constructively with Deloitte on the timetable to identify improvements in process.</p> <p><b>Responsible Person:</b> Head of Finance <b>Revised Target Date:</b> 28 February 2022</p>	High	<p><b><i>Partially implemented</i></b></p> <p>The timescales of the audit and requirement for the statutory accounts continue to be extremely tight. Outstanding information from Scottish Government, Pension Agencies and other NHS Boards results in little / no time for management review before Deloitte request a copy of the accounts. For 21/22 this review happened in the first week of the audit, with amendments made within the first week. We will continue to work with partners on the timetable and possible changes to allow sufficient review time.</p>

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# Our other responsibilities explained

## Fraud responsibilities and representations



### **Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### **Required representations:**

We have asked HIS to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity .

We have also asked HIS to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### **Audit work performed:**

In our planning we identified the risks of fraud in relation to operating within the expenditure resource limit and management override of controls as key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of HIS and our objectivity is not compromised.

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## Fees

The audit fee for 2021/22, in line with the expected fee range provided by Audit Scotland, is £27,254, as analysed below:

	£
Auditor remuneration	23,294
Audit Scotland fixed charges:	
Pooled costs	2,750
Audit support costs	1,210
<b>Total fee</b>	<b>27,254</b>

No non-audit services fees have been charged for the period.

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## Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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## Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

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