

Audit Scotland's Annual Report on the 2016/17 Audit

Recommendations

The NHS Board is asked to note the attached report by the external auditors, Audit Scotland, on the 2016/17 audit of NHS Greater Glasgow and Clyde. The report has been reviewed with the Director of Finance and has been scrutinised by the Audit Committee.

Purpose of Paper

The report is addressed to both the NHS Greater Glasgow and Clyde and the Auditor General for Scotland, and summarises the findings from the 2016/17 audit of NHS Greater Glasgow and Clyde (NHSGGC).

The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. This report comprises:

- an audit of the annual report and accounts, and consideration of the NHS Board's
- financial management;
- financial sustainability;
- governance and transparency; and
- value for money.

Key Issues to be considered

1. Annual report and accounts

The audit opinions were unqualified. These covered the financial statements, regularity of transactions, remuneration and staff report, performance report and governance statement.

2. Financial management

NHSGGC has effective arrangements in place for managing its finances and the use of its resources. It met all of its financial targets for 2016/17. However, the NHS Board was required to use approximately £50m of non recurring funding to achieve this.

3. Financial sustainability

Audit Scotland concluded that NHSGGC has adequate financial management arrangements in place. While the NHS Board achieved financial balance in 2016/17 it is facing an extremely challenging position in the future. Efficiency savings will be crucial to maintaining financial balance over the medium term. Some of the efficiency savings required to deliver a balanced financial position in 2017/18 have yet to be identified.

4. Governance and transparency

NHSGGC has appropriate governance arrangements in place that support scrutiny of decisions made by the

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NHS Board.

5. Value for money

NHSGGC has an effective performance management framework in place. However, the NHS Board continues to struggle to meet key national performance targets.

Any Patient Safety /Patient Experience Issues

None

Any Financial Implications from this Paper

None

Any Staffing Implications from this Paper

None

Any Equality Implications from this Paper

None

Any Health Inequalities Implications from this Paper

None

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome.

None

Highlight the Corporate Plan priorities to which your paper relates

Improving quality, efficiency and effectiveness

Author Audit Scotland

Tel No

Date June 2017

NHS Greater Glasgow and Clyde

Draft 2016/17 Annual Audit Report



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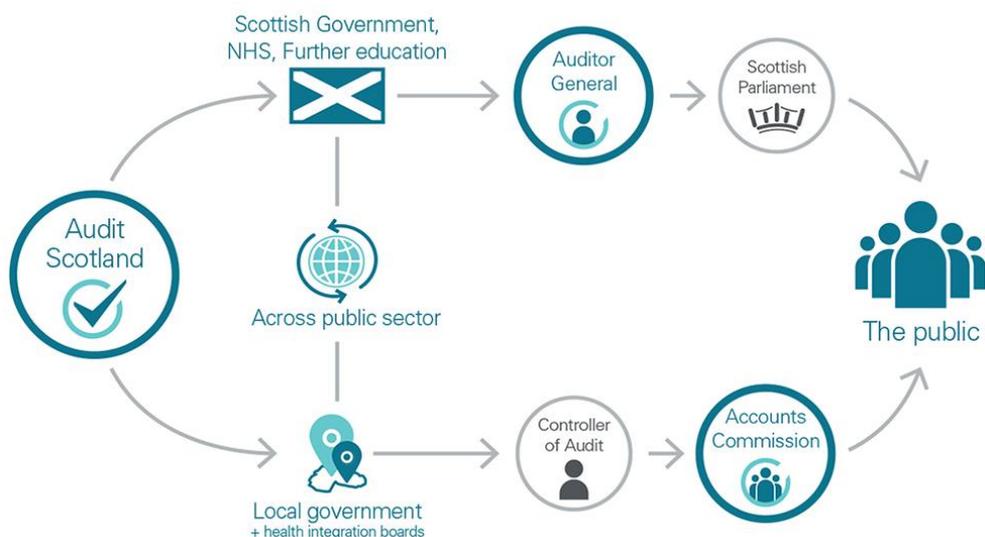
Prepared for the board of NHS Greater Glasgow and Clyde and the Auditor General for Scotland

28 June 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



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Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2016/17 annual report and accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, regularity of transactions, remuneration and staff report, performance report and governance statement.

Financial management

- 2 NHS Greater Glasgow and Clyde has effective arrangements in place for managing its finances and the use of its resources. NHS Greater Glasgow and Clyde met all of its financial targets for 2016/17 and achieved an underspend of £1.154 million against its revenue resource limit (RRL).
- 3 NHS Greater Glasgow and Clyde achieved a favourable financial outturn position, however, the board was required to use £50m of non recurring funding to achieve this.
- 4 The six Integration Joint Boards (IJBs) in NHS Greater Glasgow and Clyde's area show a cumulative net operating surplus of £43.967 million since their inception. The Board's share of that cumulative position is £21.983 million. The relevant adjustments have been processed in the board's accounts and the balance held as reserves in the IJBs' unaudited accounts.

Financial sustainability

- 5 We concluded that NHS Greater Glasgow and Clyde has adequate financial management arrangements in place. While the board achieved financial balance in 2016/17 it is facing an extremely challenging position in the future. In 2017/18 the Board started the financial year with unachieved savings brought forward of £29.6 million and the Board's financial plan projects a funding gap of £18.5 million (full year effect) in 2017/18. However, within the identified savings schemes, there is a significant element whose delivery is identified as high risk and many are due to crystallise in the later part of the year.
- 6 Efficiency savings will be crucial to maintaining financial balance over the medium term. Some of the efficiency savings required to deliver a balanced financial position in 2017/18 have yet to be identified.
- 7 NHS Greater Glasgow and Clyde is finding it difficult to recruit staff and relies on temporary or agency staff to fill gaps. The continued high costs of temporary staff are adding to the financial pressures facing the board.

Governance and transparency

- 8 NHS Greater Glasgow and Clyde has appropriate governance arrangements in place that support scrutiny of decisions made by the board. Transparency could be improved by holding all committee meetings in public although recognising that sensitive or confidential items could be dealt with in a private session.

Value for money

- 9** NHS Greater Glasgow and Clyde has an effective performance management framework in place. However, the board continues to struggle to meet key national performance targets.

Introduction

1. This report summarises the findings from our 2016/17 audit of Greater Glasgow and Clyde Health Board, commonly known as NHS Greater Glasgow and Clyde (NHSGGC).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. This report comprises:
 - an audit of the annual report and accounts
 - consideration of the wider dimensions set out in the [Code of Audit Practice \(2016\)](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of the board's main financial systems and governance arrangements
 - an audit of the board's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.
4. NHS Greater Glasgow and Clyde is responsible for preparing the annual report and accounts. It must also put arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

5. Our responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice \(2016\)](#), and guided by the auditing profession's ethical guidance.
6. As public sector auditors we give independent opinions on the annual report and accounts. We also review and report on the arrangements within NHS Greater Glasgow and Clyde to manage its performance, regularity and use of resources such as money, staff and assets. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#).
8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our annual audit report contains an action plan at [Appendix 1 \(page 30\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
12. We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 annual report and accounts



Main judgements

Unqualified audit opinions on the annual report and accounts.

The working papers in support of the annual report and accounts were of a good standard.

The arrangements for agreeing the year end balances between the board and its six Integration Joint Board (IJB) partners require formal agreement, and to operate more effectively.

Unqualified audit opinions

- 13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Board on 27 June 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - an unqualified opinion on regularity of expenditure and income
 - unqualified opinions on the remuneration and staff report, performance report and governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

The board's annual report and accounts are the principal means of accounting for the stewardship of its resources

Submission of annual report and accounts for audit

- 15.** We received the unaudited financial statements template on 8 May 2017, in line with our agreed audit timetable. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.
- 16.** The performance and accountability report elements of the financial statements were due to be received with the unaudited financial statements. While we received some elements of these reports on the 8 May substantial parts of the narrative were not provided until 1 June 2017. This resulted in audit work being re-prioritised. The performance and accountability draft reports provided still had a small number of omissions in the narrative.

Recommendation 1

The performance and accountability reports should be completed within a sufficient timeframe to ensure inclusion with the draft financial statements provided for audit.

17. In 2016/17, the board's group accounts included the financial results for the six Integration Joint Boards (IJB) within its area. The prior year group accounts contained the financial information for the three then operational Integration Joint Boards. NHSGGC staff liaised closely with the IJBs to agree and enhance arrangements to ensure the effective flow of financial information to accommodate the NHS sign off date. A statutory deadline of 30 April was set but during discussions between the board and the IJBs it was agreed that information was to be submitted by 26 May 2017. We were disappointed to note that we only received the final figures for the one outstanding Integration Joint Board on 12 June 2017.

Recommendation 2

Arrangements to receive the IJB accounts and related working papers should be agreed with the Chief Finance Officers of the IJB's to ensure information is provided to the health board within agreed timescales.

18. Also, the accounts reflect good practice as set out in the Audit Scotland publication *'Improving the Quality of the NHS Annual Report and Accounts' (December 2014)*.

Risks of material misstatement

19. [Appendix 2 \(page 33\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

Materiality

20. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual report and accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.
22. On receipt of the annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£33.1 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£16.6 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the reporting threshold amount. This has been calculated at 1% of planning materiality and has been capped at £100k.	£0.1 million

Source: Audit Scotland

How we evaluate misstatements

- 23.** There were a number of adjustments to the unaudited financial statements arising from our audit. Adjusting errors totalled £34 million however as these were mainly related to classification errors within the notes to the accounts the impact of these adjustments on outturn was a reduction in expenditure of £406k. A number of other mis-statements, including RTA income and late emerging adjustments to IJB accounts, as detailed in Exhibit 3 were identified which were not processed through the financial statements and these have been classified as unadjusted errors. These are detailed in [Appendix 3 \(page 36\)](#).
- 24.** It is our responsibility to request that all misstatements are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management do not propose to adjust for the item(s) above as the amounts are not considered material in the context of the financial statements.

Significant findings

- 25.** International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 30\)](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
1. Performance Report From 2016/17 Audit Scotland is required to provide	The performance report and governance statement were provided in 1 June 2017.

Issue	Resolution
<p>an opinion on whether the performance report is prepared in accordance with the accounts direction. This report includes a performance report and an accountability report and these form an integral part of the accounts. This report, along with the governance statement were not provided with the draft financial statements on 8 May 2017.</p>	<p>Action Plan (Appendix 1, point 1),</p>
<p>2. Integration Joint Boards</p> <p>Finance staff did not receive all of the unaudited IJB accounts by the required timescale with some IJB figures outstanding at 26 May 2017. At a late stage in the audit process a number of changes to earlier draft IJB accounts crystallised. These were not material to the accounts of NHS Greater Glasgow and Clyde.</p>	<p>The Board provided the figures to audit on 12 June. It was established that the total error in relation to changes to the draft IJB accounts was £2.891 million and this has been treated as an unadjusted error in the accounts.</p> <p>Action Plan (Appendix 1, point 2)</p>
<p>3. Road Traffic Accident Debtor</p> <p>Updated guidance was issued in 2016/17 regarding the Injury Cost Recovery scheme. The Cost Recovery Unit (CRU) within the Department for Work and Pensions pursues claims on the Health Board's behalf against insurance providers of drivers where an accident has resulted in treatment by the board. The board provides details of the treatment a patient receives and the Cost Recovery Unit calculate how much is due based on 'tariff rates'.</p> <p>The guidance stipulates that an accrual of income should be disclosed within the NHS accounts from the point at which details are processed. A corresponding bad debt provision should be established to recognise the possibility of rebuttal of claim or non payment.</p> <p>Currently the board do not accrue any income or have a bad debt provision. Recognition within the unaudited financial statements is only at the point of receipt of income.</p>	<p>This issue was discussed with the board who advised that it has difficulty in assessing the amount that it should accrue as income as it does not maintain a database of claims. The CRU was contacted to establish if it could provide figures. The methodology applied by other health boards was reviewed and provided NHS Greater Glasgow and Clyde with sufficient detail to enable an estimate for the accrual of income to be determined. It was estimated that the total error was £3.5 million and this has been treated as an unadjusted error in the accounts.</p> <p>Action Plan (Appendix 1, point 3),</p>

Recommendation 3

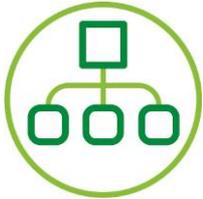
The board should establish appropriate processes to maintain records of the RTA claims being pursued on their behalf. This will enable the quantification of accrued income and the corresponding bad debt provision in future.

Other findings

- 26.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

Part 2

Financial management



Main judgements

NHS Greater Glasgow and Clyde has effective financial management arrangements in place, including budgetary control, that help Board members scrutinise the board's finances.

NHS Greater Glasgow and Clyde had adequate systems of internal control in place during 2016/17 and our testing of the key controls confirmed that they operated effectively.

The savings required to achieve break even over the next three years have still to be identified. It will be challenging for the board to achieve future savings targets while continuing to maintain its levels of service.

Financial performance in 2016/17

27. NHS Greater Glasgow and Clyde, as required by statute, has to work within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) annually. As illustrated in [Exhibit 4](#), the board operated within all limits during 2016/17.

Exhibit 4

Performance against resource limits in 2016/17

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	2,274.903	2,273.749	1.154
Non-core revenue resource limit	221.238	221.238	0
Total revenue resource limit	2,496.141	2,494.987	1.154
Core capital resource limit	65.667	65.658	0.009
Non-core capital resource limit	10.730	10.730	0
Total capital resource limit	76.397	76.388	0.009
Cash requirement	2,560.428	2,560.428	0

Source: NHS Greater Glasgow and Clyde Annual Accounts 2016/17

Underspend against Revenue Resource Limit (RRL)

28. NHS Greater Glasgow and Clyde achieved an underspend of £1.154 million (0.05%) against its 2016/17 revenue resource limit of £2,496.141 million. This outturn is consistent with the 2016/17 Local Delivery Plan (LDP) which forecast a breakeven outturn. This was achieved through reliance on non recurring funding and reserves of £50 million which is not sustainable going forward.
29. The board relied on a number of short term measures during 2016/17 to achieve financial balance including land sales and release of reserves and provisions. This approach is not sustainable and will make it difficult for the board to plan and invest in long term policy aims. In future, the board will find it extremely challenging to maintain financial balance and there is a real risk that it will not achieve its financial targets in 2017/18. The Board do recognise the challenge in this position and have begun 2017/18 with a new Chief Executive, and indicate that it is focussed on a more collegiate way of working and the need for transformational change.
30. The National Resource Allocation Committee (NRAC) formula is used to calculate the share of funding each NHS board should receive based on population and demography. The Scottish Government made a commitment that all boards would be within one per cent of the target allocations by 2016/17.

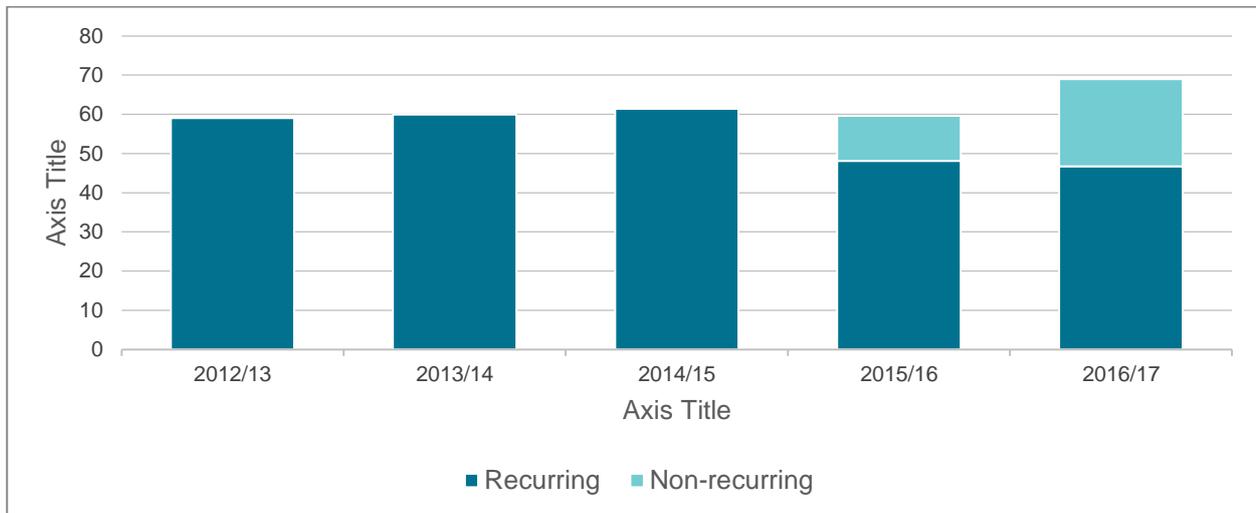
Efficiency savings

31. NHS Greater Glasgow and Clyde was required to make efficiency savings of £69 million in 2016/17 in order to break even. This proved to be challenging for the board and this target was only achieved through the utilisation of non recurring funding and utilisation of reserves.
32. £46.7 million of savings were achieved on a recurring basis (67%) with the remainder on a non-recurring basis (33%). Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing (recurring) savings in future years.
33. As illustrated in [Exhibit 5](#), NHS Greater Glasgow and Clyde has been increasingly reliant on non-recurrent savings, particularly in the past two years. This situation is not sustainable and only provides the board breathing space in the shorter term.

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

Exhibit 5

Savings – recurring and non-recurring



Source: 2012/13 – 2016/17 Annual Audit Reports

Capital allocation

- 34.** NHS Greater Glasgow and Clyde received a total capital allocation of £76.398 million in 2016/17. This was made up of £65.7 million core allocation and £10.7 million non-core allocation. The core allocation was underspent by £9k.
- 35.** The capital allocation was spent on a number of building refurbishment programmes and capital investment continued on the programme to regenerate the Queen Elizabeth University Hospital site.

Budgetary processes

- 36.** We also reviewed NHS Greater Glasgow and Clyde's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we confirmed that senior management and members receive regular, timely and up to date financial information on the board's financial position.
- 37.** We concluded that NHS Greater Glasgow and Clyde has appropriate budgetary monitoring and control arrangements that allow both members and officers to carry out scrutiny of the board's finances.

Internal controls

- 38.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that NHS Greater Glasgow and Clyde has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
- 39.** Our findings were included in an interim audit report presented to the Audit Committee on 6 June 2017. We concluded that the controls put in place by management are adequate and are operating effectively. No significant internal control weaknesses were identified during the audit which could affect NHS Greater Glasgow and Clyde's ability to record, process, summarise and report financial and other relevant data which would result in a material misstatement in the financial statements.

Prevention and detection of fraud and irregularity

40. We have a responsibility for reviewing the board's arrangements for the prevention and detection of fraud. Our audit work, in this area, covered a number of areas such as whistleblowing and liaison with Counter Fraud Services.
41. We concluded that NHS Greater Glasgow and Clyde is proactive in promoting fraud awareness and has adequate arrangements in place for fraud detection and prevention during 2016/17.

National Fraud Initiative

42. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.

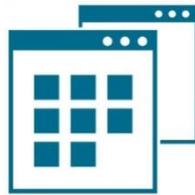
Exhibit 6

Total number of matches



11,486

Number recommended for investigation



1,455

Completed/closed investigations



20

Source: NHS Greater Glasgow and Clyde

43. NFI activity is summarised in [Exhibit 6](#) and highlights that the board has made limited progress in investigating those matches issued to the board at the end of January 2017 that were recommended for investigation. The NFI matches completed by 31 March 2018 will be the basis for the national NFI report.
44. NHS payroll data was not included in the initial 2016/17 NFI data matching process. Therefore, NHS payroll matches were not included in the matches released to participating bodies in January 2017 and were only released to relevant bodies in mid-May 2017.
45. The results of NFI activity are reported regularly to the Audit and Risk Committee by the Head of Financial Governance. In addition, the completed NFI self appraisal checklist was presented to the Audit and Risk Committee in December 2016.
46. The board is pro-active in reporting NFI activity to the Audit and Risk Committee. However, progress has been slow to date in investigating and closing recommended matches.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

- 47.** The board has a range of activities in place designed to maintain standards of conduct including Codes of Conduct for members and officers. Also, there are established procedures for preventing and detecting bribery and corruption including a fraud policy and whistleblowing policy.
- 48.** Based on our review of the evidence, we concluded that the board has adequate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

Part 3

Financial sustainability



Main judgements

NHS Greater Glasgow and Clyde has adequate financial planning arrangements in place based on the Local Delivery Plan.

NHS Greater Glasgow and Clyde failed to achieve its savings target on a recurring basis in 2016/17 and will face significant challenges in achieving its savings targets and maintaining financial balance in future.

Financial planning

49. NHS Greater Glasgow and Clyde's Local Delivery Plan (LDP) for 2017/18 to 2021/22 sets out how the board's financial, workforce and services plans implement its strategic priorities. The LDP was submitted to the Scottish Government in line with the required timescales. It will be presented to the Board meeting on 27 June 2017. The financial plan is a key component of the LDP and sets out how the board plans to achieve financial balance in 2017/18. In addition, the 2017/18 financial plan includes a high level financial outlook for the period 2017/18 to 2020/21 which takes account of anticipated funding and cost changes over this period.
50. The financial outlook forecasts an excess of cost growth over income in each year and also recognises the significant cost pressures facing the board. These include staff pay, prescribing, supplies and health and social care costs.
51. At the same time there are significant funding pressures over the period of the plan. The basic funding uplift for 2017/18 is 1.5%, of which 1.1% will form a transfer to Social Care leaving a net uplift of 0.4% , while in each subsequent year the funding uplift is assumed to be a flat rate of 1.8% but part of this will relate to social care.
52. In future years the board is facing an extremely challenging position. Rising costs and relatively small movements in funding will make it difficult to achieve financial balance. The financial plan projects a potential funding gap of £122.4 million between out-turn and funding for the financial year 2017/18. Efficiency savings will play a crucial role in bridging this gap next year and in future years.

Financial sustainability looks forward to the medium and long term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Medium to long term efficiency savings

53. NHS Greater Glasgow and Clyde is required to achieve efficiency savings amounting to 5.3% of baseline Revenue Resource Limit in 2017/18. This is equivalent to a saving of £122 million with all savings planned to be on a recurring basis. The board made budget allocations to IJBs which included a share of the efficiency savings of £23.7 million in January 2017. The Board is

still in discussion with the IJBs on this allocated amount. This leaves £98.7m of target savings, split proportionately on base budgets to the Acute Division (£61.7m) and the Corporate Division (£37.0m)

54. This is a significant challenge for the board although it has now identified (on a full year effect);

Corporate Division Savings	£23m
Acute Division Savings	£21m
Organisation wide Initiatives	£12.5m
Productivity and Efficiency gains	£5m
Additional Income and Accounting	£19m

55. However, within the identified savings schemes, there is a significant element whose delivery is identified as high risk and many are due to crystallise in the later part of the year.

Recommendation 4

The board should ensure that savings plans are developed to ensure delivery of the required £122 million of savings in 2017/18, including the unidentified £18.5 million, will be achieved.

56. The financial plan forecasts a requirement to make savings of £122.4 million (as noted above), £54 million and £56 million respectively over the next three financial years to break even as illustrated in [Exhibit 7](#). This is based on a number of assumptions, the key ones include:

- No funding is assumed for any further service investments within those services under the direct control of NHSGGC;
- No impact for developments in Regional Planning has been included;
- No impact related to legislation for the application of professional workforce tools has been included;
- The financial impact of the implementation of the new GP contract will be met through the additional primary care funding recently announced by the Scottish Government.

Exhibit 7

Savings forecast 2017/18 to 2021/22

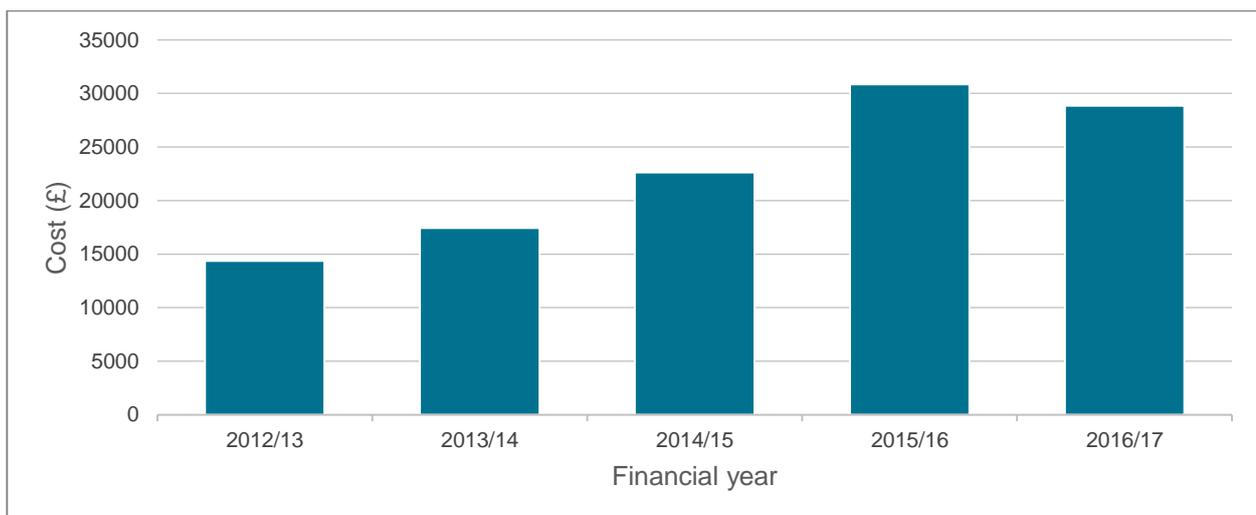
	2017/18 £ million	2018/19 £ million	2019/20 £ million	2020/21 £ million	2021/22 £ million
Recurring	122	54	56	57	61
Non-recurring					
Total	122	54	56	57	61
% of RRL	5.3	2.3	2.4	unknown	unknown

Source: NHS Greater Glasgow and Clyde Five Year Financial Plan

Workforce planning

- 57.** In February 2017, the Auditor General for Scotland published a data briefing on Scotland's NHS Workforce. It highlighted that NHS staff numbers are at their highest ever level, but there are key issues relating to the workforce. These include an ageing workforce, vacancy rates, increased spending on agency staff and sickness absence levels.
- 58.** NHS Greater Glasgow and Clyde is facing a number of workforce challenges including the age profile of the workforce and recruitment in some specialities. As at 31 March 2016, 35% of the workforce is aged 50 or over. Within support and administrative services staff aged over 55 represent 35% and 29% of the workforce respectively. Within Nursing and Midwifery 18% of staff are currently aged over 55, a 4% increase on the 2011 figure. The board's 2016/17 Workforce Plan recognises the risks and implications of an ageing workforce and sets out the board's plans for the future model of its workforce.
- 59.** The workforce plan also recognises challenges with recruiting in some specialities notably, radiology, urology, older people, ophthalmology, psychiatry and some oncology services.
- 60.** As a result of recruitment and retention problems and pressures to meet waiting time targets, the amount spent on temporary staff has increased over the last five years as illustrated in [Exhibit 8](#). Temporary staff provide flexibility in the short term by providing cover for sickness absence and vacancies but that comes at a cost. Spending on temporary staff has increased from 1% in 2013/14 to 1.9% in 2016/17 of total staff costs.

Exhibit 8 Temporary staff costs



Source: Annual Accounts 2012/13 – 2015/16

- 61.** The increasing use of temporary staff, that can cost significantly more than permanent staff, is putting pressure on the board's budget and does not represent value for money. NHS Greater Glasgow and Clyde established an

Agency Locum Steering Group. The group has overseen the establishment from February 2017 of a managed contract which will oversee the appointment of locums.

- 62.** NHS Greater Glasgow and Clyde like most NHS boards is continuing to find it difficult to achieve the national performance standard of 4% for sickness absence despite measures to maximise attendance at work. The sickness absence rate from 1 April 2016 to 31 March 2017 was 5.8% compared to 6.1% for the comparable period last year.

Part 4

Governance and transparency



Main judgements

NHS Greater Glasgow and Clyde has appropriate governance arrangements in place that support scrutiny of decisions made by the board.

NHS Greater Glasgow and Clyde is open and transparent in the way it conducts its business but with some scope for improvement.

Governance arrangements

- 63.** Our review of the board's governance and accountability arrangements considered areas that were based on the recommendations in the Auditor General's 2010 report on the "Role of Boards", tailored to include all public sector bodies.
- 64.** As part of this work we reviewed a range of governance documents, minutes and agenda papers. We also regularly attended Audit and Risk Committees, Acute Services Committees and Finance and Planning Committees during the year to see how they perform.
- 65.** The Board and Accountable Officer are responsible for establishing arrangements for ensuring the proper conduct of affairs of NHS Greater Glasgow and Clyde and for monitoring the adequacy of these arrangements.
- 66.** There have been changes to the Board's governance structure with new committees established during 2016/17 to enhance scrutiny and accountability in the key areas of Finance and Planning, Clinical Governance and Care and Public Health.
- 67.** We are satisfied that:
- Standing Orders, including committee remits and SFIs are regularly updated
 - there is evidence of scrutiny and challenge by members
 - service performance and programme management are subject to scrutiny and review
 - members have a structured board seminar programme covering key areas of interest and importance.
- 68.** Overall, we concluded that the board has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Internal audit

- 69.** Internal audit provides the board and Accountable Officer with independent assurance on NHS Greater Glasgow and Clyde's overall risk management, internal control and corporate governance processes such as the roles and responsibilities of committees.
- 70.** The internal audit function is carried out by PricewaterhouseCoopers. We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
- 71.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in the following areas: accounts payable, general ledger and payroll. Also, we considered internal audit report findings as part of our wider dimension work.

ICT risks

- 72.** This year we have taken the opportunity to consolidate our efforts in this area, reviewing the board's progress towards mitigating previously identified ICT risks. We have concluded that the progress made has addressed all previously reported ICT risks, with the following two exceptions:
- Local implementation of the national electronic Employee Support System (eESS) continues to be delayed. Robust information flows between business units and the user provisioning team will not be fully developed until this implementation is complete. This continues to present risk that the staff may have inappropriate access to the board's information assets.
 - Business Continuity Plans for the Financial Services and Payroll functions have not been developed nor formally documented. This continues to present the risk these services may be an unstructured approach to the delivery of these services in the event of a system failure.
- 73.** On 12 May 2017 a number of health bodies in Scotland, including NHS Greater Glasgow and Clyde were affected by a global ransomware cyber attack. Within NHS Greater Glasgow and Clyde a total of 11 GP practices were identified as having been impacted. All affected GP practices were directly connected via the Scottish Wide Area Network (SWAN). There was no impact to operational services within the board as a result.

Risk management

- 74.** We reviewed the risk management arrangements within the board to assess their effectiveness and appropriateness. This included consideration of the risk management strategy which sets out the board's vision for risk management with a supporting framework and a review of the board's corporate risk register.
- 75.** During the year the Audit and Risk Committee have been reviewing risk management arrangements within the board and work is continuing on enhancing the risk management processes with the Board.

Transparency

- 76.** Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

77. There is evidence from a number of sources which demonstrate the board's commitment to transparency including the annual accountability review (where members of the public can attend). Also, Board meetings are open to the public.
78. While committee meetings are held in private, the minutes of these meetings are publicly available on the board's website. We would however encourage the good practice of holding committee meetings in public, where possible, with sensitive or confidential items being held in private session. We also noted that towards the end of 2016/17 a number of financial updates were provided to committees verbally as opposed to a formal report being provided.
79. Overall, we concluded that the board conducts its business in an open and transparent manner but that there are some areas where the board could improve current arrangements (i.e. holding committee meetings in public).

Health and social care

80. Legislation to implement health and social care integration, passed by the Scottish Parliament in February 2014, came into force on April 1, 2016. This brings together NHS and local council care services under one partnership arrangement for each area.
81. Integration will mean a greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends, doing the things that give life meaning and value.
82. There are six IJBs within NHSGGC's area. Three of the six became operational in 2015/16: West Dunbartonshire, East Dunbartonshire and East Renfrewshire. The remaining three, Glasgow City, Renfrewshire and Inverclyde became fully operational on 1 April 2016.
83. Difficulties have been encountered in agreeing the 2016/17 budget for each of the six Integrated Joint Boards. Currently no agreement has been reached over the 2017/18 financial settlement. This relates to differing interpretations of how funding should be allocated in accordance with the Scottish Government correspondence. The board and the IJBs have also yet to agree the efficiency saving requirements.

Recommendation 5

The board should engage with each Integrated Joint Board to ensure the development of robust governance and financial arrangements, including prompt agreement of efficiency savings.

84. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of IJBs being established. This is not due until spring 2018. We plan to use this to assess progress once the work on this report has been completed.

2020 Vision

85. In 2011 the Scottish Government set out an ambitious vision for health and social care that by 2020 everyone is able to live longer, healthier lives at home or in a homely setting. In August 2015 the Cabinet Secretary for Health, Well-being and Sport opened a national conversation on creating a healthier Scotland which aimed to increase the pace of progress towards the 2020 vision. The board's clinical strategy, which was agreed in 2015, outlines how the 2020 vision will be taken forward by NHS Greater Glasgow and Clyde.

Equalities

- 86.** The Equality Act 2010 introduced a new public sector 'general duty' that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
- 87.** We reviewed the current equalities report and concluded the board has met its statutory duty to:
- publish information on progress made in mainstreaming equality within the board
 - report on progress made towards achieving equality outcomes published in 2013
 - publish annual employee information and details of the progress made in gathering and using information to better meet the duty
 - publish updated gender pay-gap information.
- 88.** We concluded, on the basis of evidence reviewed, that the board is proactive in ensuring that equality is mainstreamed.

Part 5

Value for money



Main judgements

NHS Greater Glasgow and Clyde has an effective performance management framework in place. This helps support the board in its drive to achieve value for money and continually improve how it delivers services.

NHS Greater Glasgow and Clyde's performance against LDP standards has been deteriorating.

Performance management

89. The Scottish Government monitors how NHS Greater Glasgow and Clyde performs against targets it set in its national performance framework. These include targets and their trajectories (plans) as set out in the board's Local Delivery Plan (LDP). Examples include waiting times for accessing treatment such as the proportion of patients that were seen within 12 weeks otherwise known as the Treatment Time Guarantee. As noted previously the 2017/18 LDP will be agreed by the Board in June 2017.
90. The board is kept well informed of performance across all areas. The board receive Integrated Performance Reports in the form of a balanced scorecard on a regular basis detailing performance against Board wide LDP Standards and other local standard. The detailed review and scrutiny of performance within the acute sector has been delegated to the Acute Services Committee.
91. Each meeting of the Board and Acute Services Committee receives an acute integrated performance report. Performance is reported using 35 key indicators (including the 19 LDP Standards for 2016/17). Performance reports contain detailed information for each performance target including trend analysis, specific performance issues and actions being taken to improve performance. We regularly attend committee and review papers received by members to find out how well the committee is scrutinising performance.
92. Committee members receive supplementary reports on specific aspects of performance namely waiting times and the financial position. These enable members to focus on key risks relating to access to treatments and financial sustainability.
93. We concluded that the NHS Greater Glasgow and Clyde has an effective performance management framework in place.

Value for money is concerned with using resources effectively and continually improving services.

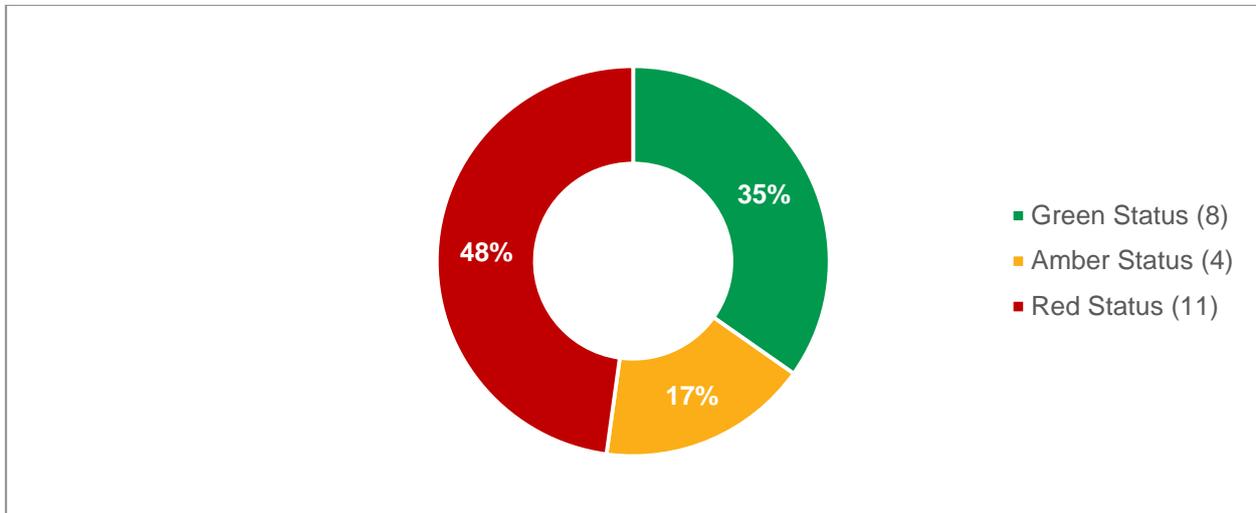
Overview of service performance

94. The board's performance report presented to the April 2017 Acute Services Committee detailed performance against 35 separate measures. These include Local Delivery Plan Standards as well as other local standards. The board's performance as reported in the 2016/17 annual accounts, and based

on the most up-to-date position at the end of March 2017 is summarised in [Exhibit 9 below](#).

Exhibit 9

Overall performance



Source: NHS Greater Glasgow and Clyde

95. Of 35 performance measures reported, 23 were given a performance rating: 8 were categorised as green, 4 amber and 11 red, where:

- green means targets being met or exceeded
- amber means performance is within 5% of target
- red means targets outwith acceptable standards (more than 5% below target).

96. Overall, NHS Greater Glasgow and Clyde performance has been deteriorating in a number of key targets. However, there are a number of targets that are outwith acceptable standards and more details on these are provided in [Exhibit 10](#).

Exhibit 10

Performance against key LDP standards (illustrative example)

Target/standard	Performance at March 2017 ¹	Action being taken by Board
Urgent referral for suspicion of cancer (62 days target)	95% ● 83.7%	Performance is below the target in a number of cancer types. Actions being taken include increasing capacity through additional clinics and reviews of patient pathways and consideration of redesign options.

Target/standard		Performance at March 2017 ¹	Action being taken by Board
% of new outpatients waiting less than 12 weeks from referral to a first outpatient appointment	99.9%	 83.7%	Work is underway to improve efficiency. This includes reducing the length of stay; improving days case rates and theatre utilisation. A programme of outpatient redesign is planned to modernise outpatient services.
Sickness absence rate	4%	 5.49%	A work programme to improve performance management is underway. Absence monitoring tools have been developed which details staff absences and recorded Human Resources interventions.
Accident and Emergency 4 hour wait time target	95%	 90.7%	From the Board's review of unscheduled care a number of projects have been identified to deliver improvements and new ways of working.

Note: 1. Figures still to be validated by NHS Information Services Division.

Source: NHS Greater Glasgow and Clyde

97. Based on available evidence, we concluded that the board's plans for addressing those LDP standards assessed as 'red' are reasonable.

98. NHS Greater Glasgow and Clyde have noted deteriorating performance in a number of key performance targets over the past year. The board is focussed on achieving financial stability and attainment of financial targets and this is having an impact on the performance against performance targets.

Recommendation 6

The board should monitor its investments designed to improve performance and determine whether specific areas/specialities require more detailed scrutiny or additional actions to be taken.

National performance audit reports

99. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the board. These are outlined in [Appendix 4](#) accompanying this report.

100. We have previously recommended that a formal process be introduced to ensure that Audit Scotland national reports are considered by officers. The

approach to identifying published reports, determining their consideration or review by committee or management and the subsequent follow up of any actions arising from these reports still requires to be formalised.

- 101.** Going forward, we again recommend that officers introduce a more formal process to ensure Audit Scotland national reports are considered by officers and the actions taken are reported back the Audit and Risk Committee.

Recommendation 7

The board should establish a formal process for the consideration and follow up of Audit Scotland national reports by appropriate officers and that actions taken are reported back to the Audit and Risk Committee.

Follow up Review of Agency Staff, Bank Staff and Sickness Absence

- 102.** In our local audit report we followed up the recommendations contained in the local audit report 'the Review of Agency Staff, Bank Staff and Sickness Absence' in May 2017. We noted work undertaken by the board in improving the governance arrangements and establishing tighter financial reporting controls around locum appointments, through the use of a managed service contract. New sickness absence reports have been developed through a traffic light system approach. Sickness absence trends are also tracked over a 3 year period. Arrangements continue to evolve in this area and over the coming years changes will continue particularly through the implementation of a new HR system.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Performance and Accountability Report</p> <p>The performance and accountability reports were not completed and reviewed within a sufficient timeframe to ensure inclusion with the draft financial statements passed to audit.</p> <p>Risk</p> <p>The audit is delayed due to the absence of key sections of the annual accounts.</p>	<p>The timetable for the completion of the financial statements should include an allowance for a management quality review of the performance and accountability reports prior to submitting a draft version to audit.</p>	<p>Agreed Management Action:</p> <p>The reports contained a raft of new requirements and information this year. This required input from a number of different people across the Board.</p> <p>A more defined project plan will be drafted for 2018.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed date: 30 April 2018</p>
9	<p>2. Consolidation of IJB Accounts</p> <p>The IJB accounts and papers were not provided within agreed timescales.</p> <p>Risk</p> <p>The accounts do not include the necessary consolidation adjustments and are delayed if the financial information is received late. The audit opinion is modified if the accounts are incomplete.</p>	<p>Arrangements should be agreed well in advance with the six IJBs to ensure the flow of information will facilitate the timely certification of NHSGGC accounts.</p>	<p>Agreed Management Action:</p> <p>The outstanding issue related to one IJB. We will endeavour to work more closely with the IJB CFOs.</p> <p>Responsible Officer: Assistant Director of Finance – Corporate and IJBs.</p> <p>Agreed date: 31 March 2018</p>
12	<p>3. Road Traffic Accident Debtor</p> <p>The board currently do not accrue any income or have a bad debt provision within the financial statements in relation to the Injury Recovery Scheme.</p> <p>Risk</p> <p>The debtor position within the financial statements is</p>	<p>The board should establish appropriate processes to maintain records of the claims being pursued on their behalf. This will enable the quantification of accrued income and the corresponding bad debt provision in future.</p>	<p>Agreed Management Action:</p> <p>The Board has been following the last formal, issued guidance on this subject. However, we accept the audit point.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed date: 30 April 2018</p>

understated due to the omission of the accrued income in relation to the Injury Recovery Scheme.

17	<p>4. Savings targets</p> <p>Savings plans do not currently identify how the savings requirement of £122 million will be achieved.</p> <p>Risk</p> <p>There is a risk that savings required to fund the budget gap are not realised.</p>	<p>The board should ensure that savings plans are developed to ensure delivery of the required £122 million of savings required in 2017/18, including the unidentified £18.5 million, will be achieved.</p>	<p>Agreed Management Action:</p> <p>The Board is undertaking a range of actions around the savings position, as outlined in the 2017/18 Financial Plan.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed date: 30 April 2018</p>
23	<p>5. Integration Joint Board's arrangements</p> <p>The board have not agreed financial settlements with each of the Integration Joint Board for 2017/18.</p> <p>Risk</p> <p>There is a risk that Integration Joint Board arrangements are not fully effective due to difficulties in agreeing arrangements around their governance and financial arrangements.</p>	<p>The board should engage with each Integration Joint Board to ensure the development of robust governance and financial arrangements, including the agreement of the financial settlement for 2017/18 and related efficiency savings.</p>	<p>Agreed Management Action:</p> <p>Work has continued on closing the financial gap for 2017/18 and assessing NHSGGC's ability to make financial commitments. As part of this, NHSGGC remains fully committed to negotiating a settlement to enable 2017/18 budgets to be finalised.</p> <p>Discussions will be ongoing over the next month and a formal update will be given to the 15 August 2017 NHS Board Meeting.</p> <p>Responsible Officer: Director of Finance</p> <p>Agreed date: 15 August 2017</p>
27	<p>6. Performance targets</p> <p>The board did not achieve all its performance targets in 2016/17.</p> <p>Risk</p> <p>There is a risk that in a climate of challenging funding settlements and competing priorities, performance targets are not achieved or maintained.</p>	<p>The board should monitor its investments designed to improve performance and determine whether specific areas/specialities require more detailed scrutiny or additional actions to be taken.</p>	<p>Agreed Management Action:</p> <p>There is currently a significant amount of work underway examining a range of different aspects of our Acute activity, including capacity, patient flows, theatres etc.</p> <p>This also takes account of the IJBs commissioning intentions, and included measuring the value of investments.</p> <p>Responsible Officer: Director of Finance/Chief Operating Officer</p> <p>Agreed date: Immediate</p>
28	<p>7. National Reports</p> <p>The board do not have a formal process in place for</p>	<p>The board should establish a formal process for the consideration and follow up of Audit Scotland national reports</p>	<p>Agreed Management Action:</p> <p>Agreed</p> <p>Responsible Officer: Finance</p>

reviewing published reports and determining the appropriate review and follow up action to be taken.

by appropriate officers and that actions taken are reported back to the Audit and Risk Committee.

Governance Manager

Agreed date: Immediate

Risk

There is a risk reports are not considered by appropriate committees or officers or actions arising are not followed up.

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions after the year end to confirm expenditure and income have been accounted for in the correct financial year.</p>	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p>
<p>2 Risk of fraud over income/expenditure</p> <p>NHS Greater Glasgow and Clyde receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. NHS Greater Glasgow and Clyde incurs significant expenditure on a range of activities which will require audit coverage.</p>	<p>Analytical procedures on income/expenditure streams.</p> <p>Detailed testing of revenue/ expenditure transactions focusing on the areas of greatest risk.</p> <p>Audit work on the National Fraud Initiative matches.</p> <p>Obtain assurances from the NHS Scotland Counter Fraud Service.</p>	<p>We undertook detailed testing of income and expenditure streams.</p> <p>No significant issues were identified from our testing.</p> <p>We concluded that the board has started to investigate NFI matches.</p> <p>No frauds were identified.</p>
<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non current</p>	<p>Completion of 'review of the work of an expert' for the professional valuer.</p> <p>Review of information provided</p>	<p>We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>by the Central Legal Office.</p> <p>Focused substantive testing of provisions.</p>	<p>We reviewed the CLO information and performed testing of provisions.</p> <p>No material misstatements were identified.</p>
<p>4 Non Current Assets</p> <p>During the course of the 2015/16 audit a number of issues were raised in both the 'Accounting for Property, Plant and Equipment' report and the Annual Audit Report. Issues raised included:</p> <ul style="list-style-type: none"> The valuation of assets held for sale and compliance with IFRS 13 and the Capital Accounting Manual. Fixed asset register not always updated to contain information held on other systems. <p>Lapses in the documentation, authorisation and communication processes for the disposal of assets.</p>	<p>Follow up work on the Accounting for Property Plant and Equipment report.</p> <p>Substantive testing of a sample of assets held for sale to confirm compliance with IFRS 13 and the Capital Accounting Manual regarding valuations.</p> <p>Review valuation programme.</p> <p>Substantive testing on non current assets, including transfers, disposals and asset lives.</p>	<p>We followed up the Accounting for Property Plant and Equipment report.</p> <p>We substantively tested assets held for sale and confirmed compliance with IFRS 13 and Capital Accounting Manual regarding valuations.</p> <p>A review of the valuation programme was completed.</p> <p>We substantively tested asset additions, transfers, disposals and asset lives to confirm appropriate and timely recording of these transactions.</p> <p>No material misstatements were identified.</p>
<p>5 Consolidation of IJB Accounts</p> <p>In 2016/17, the Board's six Integrated Joint Boards are operational and the health board's accounts and annual report will need to include the relevant financial and governance disclosures for the IJB's.</p> <p>In the prior year the arrangements to receive the IJB accounts and related working papers were not fully effective. The Board need to agree a timetable and approach to obtaining the IJB figures for consolidation and assurances required for the group governance disclosures.</p> <p>There is a risk that draft accounts may be late, incorrectly stated or not appropriately disclosed.</p>	<p>Early discussion with officers regarding the timetable and delivery process.</p> <p>Seek assurances from the appointed external auditor at each IJB and liaise as appropriate.</p> <p>Assurance obtained by Board's Director of Finance for the group governance disclosure.</p> <p>Specific group account testing of the consolidation transactions.</p>	<p>We had early discussions with officers regarding the timetable and delivery process for the year end.</p> <p>We obtained assurances from appointed external auditors at each of the IJBs.</p> <p>We completed specific group account testing on the consolidation transactions. The results of the IJBs were appropriately brought in to the board's accounts.</p>
<p>6 Accruals</p> <p>In previous years there has been challenges obtaining</p>	<p>Early discussion with officers in relation to the substance of transactions.</p>	<p>We altered our audit approach during the year and decided that substantively testing accruals was</p>

Audit risk	Assurance procedure	Results and conclusions
<p>adequate evidence to support year end accruals.</p> <p>A material financial misstatement may occur if accruals are raised inappropriately.</p> <p>There is increased risk of understatement of accruals in 2016/17 due to the projected year end position.</p>	<p>Substantively test a sample of accruals at the year end.</p> <p>Sample post year end payments of goods and services.</p> <p>Analytical review.</p>	<p>more beneficial than conducting analytical review procedures for the purposes of the financial statements audit work.</p> <p>We substantively tested year end accruals and post year end payments of goods and services. No material misstatements were identified.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>7 Financial Balance/ Savings Targets</p> <p>NHS Greater Glasgow and Clyde approved its 2016/17 Financial Plan in June 2016. The plan identified recurring in-year savings of £69 million to break even and current forecasts are for savings of £50-55m to be achieved.</p> <p>There is a risk that the savings to address the budget gap may not be realised.</p>	<p>Monitor updates to the Financial Plan and the ongoing financial position.</p> <p>Review financial monitoring reports to the board and Acute Services Committee.</p> <p>Review monthly financial returns to SGHSCD.</p> <p>Follow up on 'Review of Agency Staff, Bank Staff and Sickness Absence' report 2015/16.</p> <p>Test a sample of transactions substantively before and after the year end to confirm expenditure and income has been accounted for in the correct financial year.</p>	<p>We attended the Finance and Planning Committee and Acute Services Committee on a regular basis throughout the year.</p> <p>We reviewed the monthly financial returns to SGHSCD.</p> <p>We regularly reviewed committee paper minutes throughout the year.</p> <p>We followed up the Review of Agency Staff, Bank Staff and Sickness Absence' and noted a number of improvements.</p> <p>We undertook year end transactional testing to confirm that expenditure and income were accounted for in the correct financial year.</p>
<p>8 Chief Executive Position</p> <p>The Board's Chief executive is leaving the organisation in March 2017 and there may be a substantial gap between the existing CE leaving and the new CE taking up post. There is a risk that there will be no permanent Accountable Officer in post during the important year-end period and the finalisation of the statutory accounts.</p>	<p>Monitor the Board's arrangements to ensure that appropriate cover is put in place during any emerging transitional period.</p>	<p>A new Chief Executive was appointed with effective from 1 April 2017.</p>

Appendix 3

Summary of unadjusted errors

We report all uncorrected misstatements that are individually greater than our reporting threshold of £100k.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 2 \(page 10\)](#). We are satisfied that these errors do not have a material impact on the financial statements.

No.	Account areas	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
1	Accruals			125	
	Expenditure		125		
2	Accruals			580	
	FHS Expenditure (GOS, GDS and GPS)		580		
3	RTA debtor – accrued income			3,500	
	Income		3,500		
4	Investments and associates in joint ventures			2,892	
	SOCNE		2,892		
	Net impact		7,097	7,097	

Notes:

Entry 1 relates to expenditure recognised in 2016/17 but incurred in 2017/18.

Entry 2 relates to a year end over accrual of FHS non cash limited expenditure which was included within the accounts.

Entry 3 relates to the the RTA debtor which was not included within the accounts.

Entry 4 relates to the late adjustments to IJBa accounts

Appendix 4

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

NHS relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

NHS Greater Glasgow and Clyde

Draft 2016/17 Annual Audit Report

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