

NHS Greater Glasgow & Clyde**NHS Board****25 June 2019****Paper 19/36****Director of Finance**

Audit Scotland's Annual Report on the 2018/19 Audit

Recommendations

The NHS Board is asked to note the attached report by the external auditors, Audit Scotland, on the 2018/19 audit of NHS Greater Glasgow and Clyde. The report has been reviewed with the Director of Finance and has been scrutinised by the Audit and Risk 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 2018/19 audit of NHS Greater Glasgow and Clyde (NHSGGC).

The scope of the audit was set out in the Annual Audit Plan presented to the Audit and Risk Committee at its meeting in December 2018. 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

In Audit Scotland's opinion: NHS Greater Glasgow and Clyde's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable enactments and guidance; and the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

2. Financial management

NHS Greater Glasgow and Clyde (the Board) met all its financial targets for 2018/19 and achieved an underspend of £0.339 million against its Revenue Resource Limit for the year. This is set in context against the overall savings requirement for the Board of £93 million for 2018/19.

The Board has appropriate and effective financial management arrangements in place and has established robust arrangements to identify and monitor financial savings through its Financial Improvement Programme (FIP). Additionally, the Board has adequate systems of internal control in

place to underpin the delivery of the savings programme and to support the day-to-day financial management of the organisation.

These same systems enable the production of clear financial monitoring reports as well as the year-end financial statements. Audit Scotland's testing of key controls confirms that they operated effectively during 2018/19.

3. Financial sustainability

Audit Scotland concluded that NHS Greater Glasgow and Clyde has appropriate and effective planning arrangements to identify and mitigate risks to the ongoing financial sustainability of the organisation. These arrangements are based around the Board's three year Financial Plan which provides the strategic framework for its Annual Operational Plan (AOP). The Board has also developed its FIP to sit alongside the three year Financial Plan which provides the strategic framework for the annual cost improvement/efficiency programme.

4. Governance and transparency

Audit Scotland concluded that the Board has appropriate and effective 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 and there is effective scrutiny of the financial and performance management process.

5. Value for money

NHS Greater Glasgow and Clyde has a clear performance management framework in place that supports the Board in its drive to deliver value for money and focuses attention on the organisations ambition to continuously improve service delivery. Our overall view is that the framework is generally effective, but the opportunity exists to secure further meaningful improvements in its design and operation.

The Board did experience difficulties in meeting some of the Scottish Government key performance targets during 2018/19 and only fully achieved two out of the eight required measures. However, the Board delivered notable improvements in performance against revised trajectories agreed with the Scottish Government for endoscopy services, the treatment time guarantee and outpatients waiting time targets. It is essential that the Board builds on this success and seeks to transfer learning to those areas where performance has been slow to improve.

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 2019

NHS Greater Glasgow and Clyde

2018/19 Annual Audit Report - DRAFT



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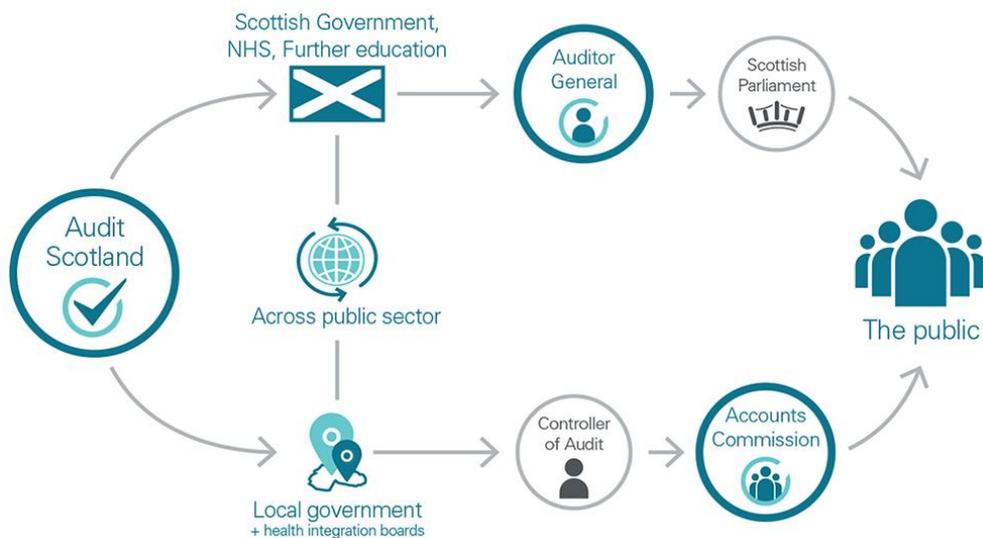
Prepared for the Board of NHS Greater Glasgow and Clyde and the Auditor General for Scotland

25 June 2019

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.



About us

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

2018/19 annual report and accounts

- 1 NHS Greater Glasgow and Clyde's financial statements give a true and fair view and were properly prepared.
- 2 Expenditure and income were in accordance with applicable enactments and guidance.
- 3 The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Financial management

- 4 NHS Greater Glasgow and Clyde (the Board) met all its financial targets for 2018/19 and achieved an underspend of £0.339 million against its Revenue Resource Limit for the year. This is set in context against the overall savings requirement for the Board of £93 million for 2018/19.
- 5 The Board has appropriate and effective financial management arrangements in place and has established robust arrangements to identify and monitor financial savings through its Financial Improvement Programme (FIP).
- 6 Additionally, the Board has adequate systems of internal control in place to underpin the delivery of the savings programme and to support the day-to-day financial management of the organisation. These same systems enable the production of clear financial monitoring reports as well as the year-end financial statements. Our testing of key controls confirms that they operated effectively during 2018/19.

Financial sustainability

- 7 NHS Greater Glasgow and Clyde has appropriate and effective planning arrangements to identify and mitigate risks to the ongoing financial sustainability of the organisation. These arrangements are based around the Board's three year Financial Plan which provides the strategic framework for its Annual Operational Plan (AOP). The Board has also developed its FIP to sit alongside the three year Financial Plan which provides the strategic framework for the annual cost improvement/efficiency programme.
- 8 The FIP aims to deliver organisation wide and centrally driven savings and efficiency initiatives. As we noted previously, the Board achieved its £93 million savings target for 2018/19 and successfully reduced its underlying recurring deficit from £67.8 million to around £50 million. However, the Board relied on substantial non-recurring savings and a sizeable capital to revenue transfer to achieve financial balance in 2018/19.
- 9 The Board recognises that such reliance on non-recurring savings and efficiencies is not a sustainable solution to the financial challenge going forward and the financial plan for the current year (2019/20) details a reduction in the current level of non-recurring savings.

- 10** In the short to medium term the Board has identified an overall savings target of £296 million over the three year period from 2019/20 to 2021/22. To-date plans have been identified to deliver £134 million of savings/efficiencies over the same period, leaving an unidentified savings target of £135 million still to be addressed. The FIP is fundamental to the identification of the required savings to bridge the £135 million gap and to ensure the robust and timely delivery of the savings plans already identified.
- 11** Looking in the medium to longer term, the achievement of recurring financial balance will require a whole service redesign approach that currently forms the basis of the Moving Forward Together programme. The delivery of Moving Forward Together presents a significant challenge that will, in all likelihood, require the Board to take difficult decisions and which the Board recognises it cannot deliver in isolation. Successful partnership working is fundamental to the successful delivery of Moving Forward Together.

Governance and transparency

- 12** The Board has appropriate and effective governance arrangements in place that support scrutiny of decisions made by the Board.
- 13** NHS Greater Glasgow and Clyde is open and transparent in the way it conducts its business and there is effective scrutiny of the financial and performance management process.

Value for money

- 14** NHS Greater Glasgow and Clyde has a clear performance management framework in place that supports the Board in its drive to deliver value for money and focusses attention on the organisations ambition to continuously improve service delivery. Our overall view is that the framework is generally effective, but the opportunity exists to secure further meaningful improvements in its design and operation.
- 15** The Board experienced difficulties in meeting some of the Scottish Government key performance targets during 2018/19 and only fully achieved two out of the eight required measures. However, the Board delivered notable improvements in performance against revised trajectories agreed with the Scottish Government for endoscopy services, the treatment time guarantee and outpatients waiting time targets. It is essential that the Board builds on this success and seeks to transfer learning to those areas where performance has been slow to improve.

Introduction

1. This report summarises the findings from our 2018/19 audit of NHS Greater Glasgow and Clyde (NHSGGC or the Board).

2. The scope of our audit was set out in our 2018/19 Annual Audit Plan presented to the Audit and Risk Committee at its meeting on 11 December 2018. This report comprises the findings from:

- an audit of the Board's annual report and accounts
- consideration of the wider dimensions that frame the wider scope of public audit 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 2018/19 have been to:

- review of the Board's main financial systems;
- audit of the Board's 2018/19 annual report and accounts including the issue of an independent auditor's report setting out my opinions;
- consider the four audit dimensions set out in Exhibit 1 above.

Adding value through the audit

4. We add value to NHS Greater Glasgow and Clyde through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements;
- early engagement on accounting issues such as the untaken leave accrual and ongoing discussions relating to Integration Joint Board arrangements and road traffic accident income;
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides; and
- providing clear and focused conclusions in respect to the four audit dimensions.

5. In so doing, we aim to help NHS Greater Glasgow and Clyde promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. NHS Greater Glasgow and Clyde has primary responsibility for ensuring the proper financial stewardship of the public funds within its control. This includes preparing an annual report and accounts that are in accordance with the relevant directions from the Scottish Ministers. The Board's annual report and accounts includes the following:

- Performance Report;
- Accountability Report (which includes the Corporate Governance Report, Remuneration and Staff Report and, Parliamentary and Accountability Report); and
- Financial statements and supporting notes.

7. The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its strategic objectives.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the:

- appropriateness and effectiveness of the performance management arrangements;
- suitability and effectiveness of corporate governance arrangements; and
- financial position and arrangements for securing financial sustainability.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only

those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our Annual Audit Report contains an agreed action plan at [Appendix 1](#) which sets out specific recommendations and identifies responsible officers together with agreed dates for implementation. It also includes any outstanding actions from last year and progress against these.

13. We comply with the Financial Reporting Council's Ethical Standard and we have not undertaken any non-audit related services during 2018/19. Therefore, our audit fee of £0.392 million, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

15. We would like to thank management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

NHS Greater Glasgow and Clyde's financial statements give a true and fair view and were properly prepared.

Expenditure and income were in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The Board's annual report and accounts are the principal public means of demonstrating its accountability for the stewardship of its resources as well as its performance in the use of those resources.

Audit opinions on the annual report and accounts

16. The annual report and accounts for the year ended 31 March 2019 were approved by the Board on 25 June 2019. As reported in the independent auditor's report:

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

17. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

18. We received the unaudited annual report and accounts of the Board on 13 May 2019, in line with our agreed audit timetable. The Board's group accounts including the financial results of the Endowment Fund and Integration Joint Boards (IJB's) within its area were not received until 14 June 2019. This was because a number of IJB's did not submit the required information to the Board by the agreed end of May deadline.

19. Additionally, the governance statement provided as part of the performance report was incomplete with significant elements outstanding. This included the disclosure of significant issues and the appropriate assurance statements from some directors. A complete governance statement was received on 3 June 2019.

Good practice confirms that the governance statement should be provided at the same time as the unaudited financial statements to ensure efficient year-end closedown and reporting arrangements and an effective and timely audit process.

20. Furthermore, the narrative sections of the annual report and accounts, including the performance report, required a number of changes prior to a revised version being provided to us on 3 June 2019. There was no evidence that the initial draft of the annual report and accounts including the performance report had been subject to an effective quality assurance review prior to being submitted for audit. We recommend that officers introduce a comprehensive quality review prior to submitting the year-end reporting documents (performance and accountability report including annual governance statement and annual accounts) for audit, to minimise the number of changes required.

21. The working papers provided by the Board to support the accounts were to a good standard and the finance staff continued to deliver their high standards of professionalism and support to the audit team which helped ensure a smooth audit process.

Risks of material misstatement

22. [Appendix 2](#) provides a description of the risks of material misstatement identified during the audit planning process. It also summarises the work we have completed to gain assurance and mitigate these risks from an audit perspective.

23. We have no issues to report from our work on the areas identified within our Annual Audit Plan 2018/19 as a risk of material misstatement on the financial statements. Our Annual Audit Plan also identified risks from our wider code responsibilities including the need to deliver savings targets to ensure financial sustainability and the requirement to meet the Scottish Government's key performance targets. These are ongoing risks which the Board continues to manage. We have commented on these at parts 3 and 5 of this report and they are included in the action plan at [Appendix 1](#).

Materiality

24. Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

25. 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](#). With regards to the outcome of our work on the annual report and accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

26. On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and minor changes were made to the materiality levels we reported in our Annual Audit Plan as reported at [Exhibit 2](#). This had no impact on our audit approach.

Exhibit 2

Materiality values

Materiality level	As stated in the Annual Audit Plan	Revised amount
Overall materiality	£32 million	£34.040 million
Performance materiality	£16 million	£17.02 million
Reporting threshold	£0.250 million	£0.250 million

Source: Audit Scotland

Significant findings from the audit in accordance with ISA 260

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

28. The significant findings 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](#) has been included.

Qualitative aspects of the audit

29. We have no significant findings to report around the qualitative aspects of the accounts, including accounting policies, accounting estimates/judgements, significant financial statement disclosures, impact of uncertainties etc of the 2018/19 accounting practices.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Performance Report and Governance Statement</p> <p>The performance and accountability report form an integral part of the accounts. The draft report provided on 13 May 2019 required a number of changes prior to a revised version being passed to audit on 3 June 2019. There was no evidence of the initial draft report having been reviewed prior to being passing to audit.</p> <p>The governance statement provided as part of this report was incomplete with significant elements outstanding. This included the disclosure of significant issues and the appropriate assurance statements from some directors. The narrative contained within some assurance statements was restricted to yes/no answers and we would expect additional narrative to be provided by officers to provide evidence for the Chief Executive's review.</p>	<p>We recommend that officers introduce a comprehensive quality review prior to submitting the year-end reporting documents (performance and accountability report including annual governance statement and annual accounts), for audit, to minimise the number of changes required.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>

Issue	Resolution
<p>2. RTA Income</p> <p>The Board has obtained information for the claims submitted in relation to the Injury Recovery Scheme over the past two years. A database has been developed to record claims submitted and the outcome of any claims concluded. Revised guidance was issued during the year and the Board did not apply the new percentage split for the accrual of income to its calculation, resulting in an error of £136k which was amended.</p> <p>Whilst the Board has made substantial progress in this area it has still not calculated a bad debt provision as outlined in within the guidance.</p>	<p>The Board should continue the work it is undertaking in this area and fully adopt the guidance issued by the Department of Works and Pension by establishing a bad debt provision.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<p>3. Debt write off</p> <p>It is normal practice for the Board to write off debts which are deemed irrecoverable. In 2017/18 we noted that no debts were written off and we were informed that some of the overseas patient debt would be written off in 2018/19. We established that this debt was appropriately written off this year although the approval for this was received from Scottish Government in 2017/18.</p> <p>However, we also noted that 4 debts were written off this year prior to receiving Scottish Government approval. The Audit and Risk Committee approved this debt write off on 4 June 2019 and approval is now being sought from Scottish Government.</p>	<p>The Board should ensure that all write offs are recorded in the correct accounting year. Approval should be sought from Scottish Government as a matter of urgency for this year's debt write off.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>
<p>4. Untaken leave accrual</p> <p>The untaken leave accrual is based on the untaken leave position as at 31 March 2018. No exercise was undertaken this year to quantify the untaken leave as at 31 March 2019.</p>	<p>The Board should establish a more definitive process for establishing the untaken leave position at the end of each financial year.</p> <p> Recommendation 4 (refer appendix 1, action plan)</p>
<p>5. Clinical Medical Claims and CNORIS provision</p> <p>Several health boards calculate the structured settlement element of the provision for future medical negligence payments on a future cash basis that does not include any projected increase as a result of the difference between RPI rate and the general discount rate which is incorrect.</p> <p>Although NHS GGC does not adopt this approach the overall CNORIS scheme liability for Scotland is understated. This has resulted in a redistribution of the overall liability to NHS boards in Scotland which, in turn, has resulted in an increase of £1.647 million to NHS GGC's share of the CNORIS liability of NHS Scotland. As any movements in the Board's share of the CNORIS liability is covered by AME funding this issue has no impact on the reported outturn position of the Board.</p>	<p>As this issue has no impact on the reported outturn position we have included this as a non adjusted error in Appendix 3.</p>
<p>6. Deferred Income – Research and Development Contracts</p> <p>The Board's 2018/19 trade payables balance includes an amount for deferred income, which is defined in the health</p>	<p>The Board should undertake a review of its deferred income on a project by project basis to demonstrate how each scheme complies with the requirements of IFRS</p>

Issue	Resolution
<p>board accounts manual as an obligation where a future service is required to be performed before the income can be recognised.</p> <p>Most of the deferred income balance relates to research and development contracts. The Board has not yet fully reviewed the deferred income balance to assess its compliance with the requirements of the newly implemented International Financial Reporting Standard (IFRS) 15.</p>	<p>15.</p> <p> Recommendation 5 (refer appendix 1, action plan)</p>

Source: Audit Scotland

How we evaluate misstatements

30. There were no material adjustments to the unaudited annual report and accounts arising from our audit. Two other mis-statements, including FHS accruals as detailed in Appendix 3, were identified which were not processed through the financial statements and these have been classified as unadjusted errors.

31. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management do not propose to adjust for the items above as the amounts are not considered material in the context of the financial statements.

Data analytics

32. In 2018/19 we used data analytics in NHS Greater Glasgow and Clyde as part of our planned audit approach. Data analytics is defined by the International Auditing and Assurance Standards Board (IAASB) as *“the science and art of discovering and analysing patterns, deviations and inconsistencies.... in the data underlying.... an audit for the purpose of planning and performing the audit”*. Such techniques provide ways of dealing with high volumes of transactions as well as complexity. They also enhance audit quality and efficiency.

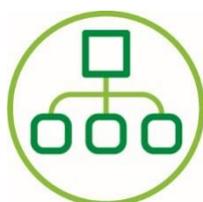
33. We used data analytics when undertaking sample testing for expenditure and income testing although this process still needs some refinement for use at NHS Greater Glasgow and Clyde.

Follow up of prior year recommendations

34. The Board has made limited progress in fully implementing our prior year audit recommendations. Some progress has been made in two areas and the other five are still relevant and will be monitored on an ongoing basis. For actions not yet fully implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

NHS Greater Glasgow and Clyde (the Board) met all its financial targets for 2018/19 and achieved an underspend of £0.339 million against its Revenue Resource Limit for the year. This is set in context against the overall savings requirement for the Board of £93 million for 2018/19.

The Board has appropriate and effective financial management arrangements in place and has established robust arrangements to identify and monitor financial savings through its Financial Improvement Programme (FIP).

Additionally, the Board has adequate systems of internal control in place to underpin the delivery of the savings programme and to support the day-to-day financial management of the organisation. These same systems enable the production of clear financial monitoring reports as well as the year-end financial statements. Our testing of key controls confirms that they operated effectively during 2018/19.

Effective financial management is the result of appropriate financial capacity, sound budgetary processes, a robust control environment and the effective operation of internal controls. These are the guiding principles by which we assess the Board's financial management.

Financial performance in 2018/19

35. 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 met all of its key financial targets during 2018/19.

Exhibit 4 Performance against resource limits in 2018/19

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	2,404.664	2,404.325	0.339
Non-core revenue resource limit	102.153	102.153	0
Total revenue resource limit	2,506.817	2,506.478	0.339
Core capital resource limit	42.735	42.674	61
Non-core capital resource limit	11.174	11.174	0
Total capital resource limit	53.909	53.848	61

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Cash requirement	2,591.206	2,591.206	0

Source: NHS Greater Glasgow and Clyde Annual Report and Accounts 2018/19

Underspend against Revenue Resource Limit (RRL)

36. NHS Greater Glasgow and Clyde achieved an underspend of £0.339 million against its total revenue resource limit of £2,506.817 million. This outturn is positive considering the 2018/19 Financial Plan detailed that it had to make £93 million of efficiency savings with unidentified savings of £29 million at the start of the financial year.

37. The Finance and Planning committee received reports on the financial position and forecast outturn projections throughout the year. The Board closed the forecast financial gap after relying on a number of short term measures and emerging outturns, including land sale proceeds, a capital to revenue transfer, an underspend against budgeted capital charges and increased accrued income recognition in relation to the road traffic accident income after improving the recording of information within this area.

Capital Resource Limit (CRL)

38. NHS Greater Glasgow and Clyde received a total capital allocation of £53.909 million in 2018/19. This consisted of £42.735 million core allocation, which was underspent by £61k and £11.174 million non-core capital resource limit which was fully utilised.

39. The capital allocation was spent on new build projects, building refurbishments, medical equipment including the replacement of diagnostic imaging and radiotherapy equipment and e-Health equipment.

40. During 2018/19, the Scottish Government agreed a transfer of £12.2 million capital allocation to revenue. This is an increase on the prior year capital to revenue transfer of £10 million and represents a significant proportion of the original capital allocation.

41. The allocation transfer funded £2 million revenue spend on capital projects and optimised the overall year-end financial outturn by £10.2 million. A significant proportion of the transfer represents the forecast unallocated capital balance at the year end, including forecast slippage. Whilst the Board has re-provided the budget for previously approved capital projects to ensure the projects remain fully funded, there is an opportunity cost in the Board failing to utilise their full capital budget.

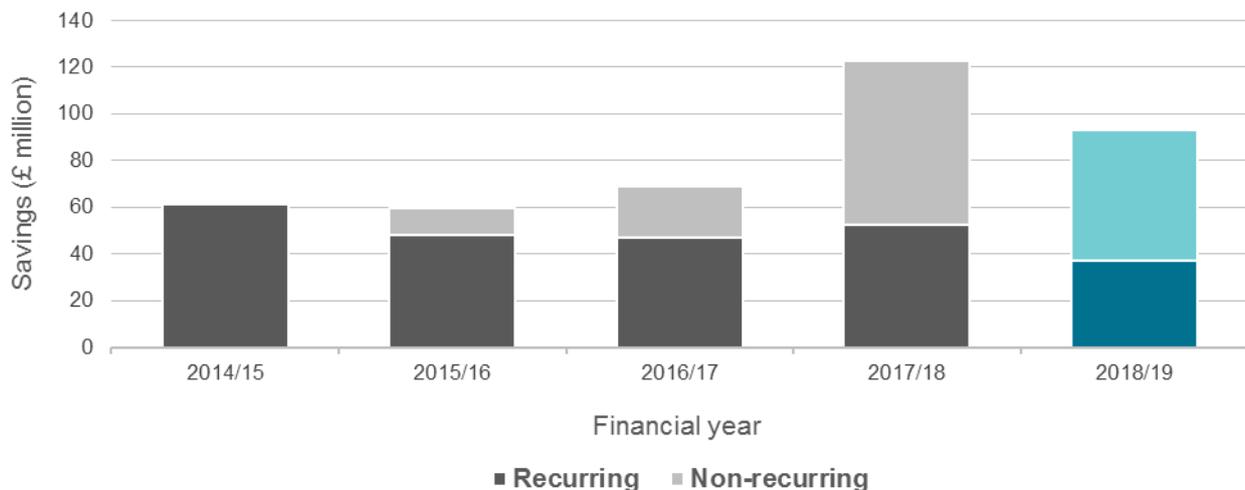
Efficiency savings

42. NHS Greater Glasgow and Clyde was required to make efficiency savings of £93 million in 2018/19. This is equivalent to a savings target of 3.7% against the total revenue resource limit. Whilst this target was a reduction from the prior year, it continues a period of significant savings being required annually as identified in [Exhibit 5](#).

43. Savings of £37.2 million were achieved on a recurring basis, with the remaining £55.8 million on a non-recurrent basis. 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 savings in future years.

44. The proportion of savings achieved recurrently has remained broadly consistent over the past four to five years. However, the Board's reliance on non-recurrent savings continues to increase to the point at which over the last two years the proportion of savings achieved non-recurrently was greater than the recurrent level of savings. This position is not sustainable in the medium and longer term as it requires the Board to increase the amount of recurring savings required in future years to enable a break even position to be achieved.

Exhibit 5 Savings – recurring and non-recurring



Source: NHS Greater Glasgow and Clyde Annual Accounts 2014/15 – 2018/19

Funding allocations

45. NHS bodies receive allocation letters throughout the year outlining the funding they will receive. As part of our financial statements audit we reviewed the final allocation letter and selected a sample of specific allocations to review in more detail. Finance officers provided detailed explanations and supporting schedules to outline what the funding related to, the basis of the funding and how the allocated funds were utilised. From the allocations reviewed we are satisfied that funding allocations have been accounted for appropriately and within the correct financial year.

Budgetary processes

46. Senior management and non-executive Board members receive regular and accurate information reporting the organisations financial performance. The Board has good arrangements for setting its budget, and we consider the underlying assumptions applied when setting the budget to be reasonable.

47. NHS Greater Glasgow and Clyde has appropriate budget setting and monitoring arrangements that allow both non-executive Board members and officers to carry out scrutiny of the organisation's finances. This includes information relating to directorate budgets, cost pressures and the financial improvement programme tracker which outlines the full and current year effect on saving initiatives.

Systems of internal control

48. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial

statements. Our objective is to gain assurance that NHS Greater Glasgow and Clyde has sound systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

49. Our findings from the review of systems of internal controls were included in the management letter presented to the Audit and Risk Committee on 12 March 2019. We concluded that the controls tested were 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 to result in a material misstatement in the financial statements.

Capacity of Finance

50. The Board has experienced a number of staffing changes within the finance function over recent years as members of the team have moved posts or left the organisation. A number of these posts have not been filled. Additionally, there are staff within the department planning for retirement within the next year or so. These changes have impacted upon officers involvement in the preparation of the financial statements and subsequent audit process. Although temporary measures have been put in place this is not a sustainable solution. The Board should review roles and structures to ensure the finance department has sufficient capacity and capability going forward and that realistic and appropriate succession plans are in place to mitigate the impact of staff leaving the team.



Recommendation 6

Take steps to ensure that the finance function is appropriately resourced with experienced, skilled and knowledgeable staff with appropriate succession plans in place.

Internal audit

51. The Board appointed Scott Moncrieff as its internal auditors from 2018/19 on a three year contract. The finalisation of the internal audit plan was concluded over the first half of the financial year. The plan was delivered, albeit with a high proportion of the work being undertaken within the second half of 2018/19. Scott Moncrieff have concluded their 2018/19 audit work and presented their Annual Audit Report at the Audit and Risk Committee meeting on 18 June 2019.

52. We reviewed the Board's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. We have used the work of internal audit in the following areas for our 2018/19 audit:

- Payroll;
- Financial systems health check; and
- Financial Improvement Programme.

Standards of conduct for prevention and detection of fraud and error

53. NHS Greater Glasgow and Clyde is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. It is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

54. We have reviewed the arrangements in place to maintain standards of conduct including the Standing Financial Instructions, Standing Orders, Code of Conduct for members and staff and whistle blowing arrangements. The Standing Orders include the fraud policy as an appendix and provides guidance to employees on what action to take when fraud, theft or corruption is suspected. The Board has a formal partnership with NHS Scotland Counter Fraud Services (CFS). These arrangements include the Fraud Liaison Officer circulating reports to appropriate managers and to the Audit and Risk Committee. Reports from CFS highlighting any referrals from NHS Greater Glasgow and Clyde are presented to each meeting of the Audit and Risk Committee.

55. The Board has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

National Fraud Initiative

56. 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 'data matches' that might suggest the existence of fraud or irregularity.

57. NHS Greater Glasgow and Clyde submitted its payroll and creditors data in accordance with the required timetable. The Board received a total of 10,561 matches. The 947 payroll matches are stratified on a risk basis and are categorised as follows:

- high risk (58 matches) i.e. some significant potential fraud factors identified;
- medium risk (254 matches) i.e. some potential fraud risk factors identified;
- low risk (362 matches) i.e. few potential fraud risk factors identified; and
- Nil risk (273) i.e. no fraud risk factors identified.

58. We have reviewed the NFI website and noted progress particularly with regard to the review of the creditors matches. At the time of preparing our report, 3,755 matches have been reviewed and cleared and a further 32 matches are being investigated.

59. The results of NFI activity are reported regularly to the Audit and Risk Committee by the Head of Financial Governance.

Shared systems

60. The NHS in Scotland procures a number of service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service.

61. As your external auditor we have considered the content of the service auditor assurance report, and any associated external audit report. There are no significant findings to draw to your attention.

Dependency on key suppliers

62. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services. It is essential that public sector organisations remain alert to the risks of key supplier failure and underperformance in suppliers that are experiencing difficult trading conditions.

63. We reviewed the Board's arrangements around key suppliers and noted measures in place to mitigate risks. For contracts the Board procures locally, a three year tendering process is in place, which results in the regular refreshing of suppliers and mitigates risks around long term contracts.

64. Finance and procurement staff have established arrangements in place around sharing information on key supplier aged invoice reports. This allows for the early identification of any supplier payment issues and enables action to be taken to avoid any supplies being upheld due to payment glitches.

65. The Board's procurement function holds key supplier management meetings with suppliers using a standard agenda to review and assess risk. The frequency of these meetings is determined by the risk ratings attributed to the supplier.

66. At the time of our review we noted that key supplier management meetings had not taken place as regularly as planned during the year due to resourcing issues. We understand that these have now been addressed and meetings are taking place as scheduled. We will review progress in this area during 2019/20.

Part 3

Financial sustainability



Main judgements

NHS Greater Glasgow and Clyde has appropriate and effective planning arrangements to identify and mitigate risks to the ongoing financial sustainability of the organisation. These arrangements are based around the Board's three year Financial Plan which provides the strategic framework for its Annual Operational Plan (AOP). The Board has also developed its FIP to sit alongside the three year Financial Plan which provides the strategic framework for the annual cost improvement/efficiency programme.

The FIP aims to deliver organisation wide and centrally driven savings and efficiency initiatives. As we noted previously, the Board achieved its £93 million savings target for 2018/19 and successfully reduced its underlying recurring deficit from £67.8 million to around £50 million. However, the Board relied on substantial non-recurring savings and a sizeable capital to revenue transfer to achieve financial balance in 2018/19.

The Board recognises that such reliance on non-recurring savings and efficiencies is not a sustainable solution to the financial challenge going forward and the financial plan for the current year (2019/20) details a reduction in the current level of non-recurring savings.

In the short to medium term the Board has identified an overall savings target of £296 million over the three year period from 2019/20 to 2021/22. To-date plans have been identified to deliver £134 million of savings/efficiencies over the same period, leaving an unidentified savings target of £135 million still to be addressed. The FIP is fundamental to the identification of the required savings to bridge the £135 million gap and to ensure the robust and timely delivery of the savings plans already identified.

Looking in the medium to longer term, the achievement of recurring financial balance will require a whole service redesign approach that currently forms the basis of the Moving Forward Together programme. The delivery of Moving Forward Together presents a significant challenge that will, in all likelihood, require the Board to take difficult decisions and which the Board recognises it cannot deliver in isolation. Successful partnership working is fundamental to the successful delivery of Moving Forward Together.

Financial sustainability looks forward to the medium and longer term to consider whether the board has effective and robust planning arrangements in place to ensure the continued delivery of services and the manner in which they are provided.

Changing landscape for public financial management and medium to long term financial planning

67. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy

choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

68. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

69. The Scottish Government has introduced new arrangements from 2019/20 with NHS Boards required to set out plans to deliver a breakeven position over a three-year planning period rather than a one-year basis, with flexibility to report over or underspends of up to 1% of the Board's core revenue resource funding in-year.

Financial planning

70. From 2019/20 NHS bodies in Scotland are required to produce an Annual Operational Plan to provide assurance on the whole system planning process over the three year period from 2019/20 to 2021/22. The 2019/20 should be a detailed plan aligned to the organisations annual budget and future year plans will be more high level indicating the direction of travel.

71. NHS Greater Glasgow and Clyde's Annual Operational Plan for 2019/20 sets out how the Board will deliver expected levels of operational performance on waiting times, investment in mental health and greater progress and pace in integration of health and social care. The plan outlines current performance levels and highlights remaining challenges; however, it highlights that sustained improvement in some areas will require additional recurrent funding to increase capacity.

72. An Initial Financial Outlook was presented the February 2019 Finance and Planning Committee followed by the draft financial plan in April 2019, with the Board due to approve the final plan in June. The plan has been developed on the assumption that the Board will aim to deliver a break even position each year within the three year plan period. These forecasts are based on a set of assumptions for allocation uplifts, inflationary costs and pay growth.

73. The plan outlines high level financial projections over a three year period. The total projected financial challenge over the period is £269.1 million. Achievable savings of around 40% are projected annually and this is based on 2017/18 and 2018/19 levels. The plan includes an estimated £10 million of non-recurring funding annually but recognises this as a prudent estimate. As outlined in [Exhibit 6](#), the draft financial plan currently does not achieve a break-even position in any individual year or over the three year life of the plan.

Exhibit 6

Savings forecast 2019/20 to 2021/22

	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m
Financial challenge	74.8	92.6	101.7	296.1
Forecast savings achievable (%)	30 (40%)	38 (41%)	36 (36%)	104 (35%)
Recurring deficit	(44.8)	(54.6)	(65.7)	(165.1)

	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m
Non-recurrent outturn	10	10	10	30
Forecast outturn	(34.8)	(44.6)	(55.7)	(135.1)

Source: NHS Greater Glasgow and Clyde 2019-20 Initial Draft Financial Plan

74. Achieving financial balance in the short to medium term and addressing the financial challenge outlined in Exhibit 6 above is entirely dependent on the successful delivery of the FIP and external cost containment measures. Looking from the medium to longer term the achievement of recurring financial balance will require a whole service redesign approach that is currently set out within the Moving Forward Together programme and is heavily dependent on joined up regional planning.

Medium to long term efficiency savings

75. As previously noted, NHS Greater Glasgow and Clyde achieved its efficiency savings target in 2018/19, albeit with £55.8 million from non-recurring sources. The Board's underlying recurring deficit has reduced during 2018/19 from £67.8 million to £50 million.

76. The Board's Financial Improvement Programme has continued to develop over the past year with the aim of delivering an organisation wide and centrally driven saving and efficiency initiative. To facilitate this approach, the Board secured temporary external support during the year, which has now ended. The Financial Improvement Programme will now be taken forward by Senior Finance Management and the Programme Management Office.

77. A key change within 2019/20 is the removal of monetary targets from the productivity and efficiency initiatives. These will now be reported separately from the Financial Improvement Programme savings workstreams and will instead focus on improving performance in line with waiting time trajectories set out in the Scottish Government 30 month plan.

78. Saving targets equating to 4% of divisional or directorate budgets have been assigned across the organisation for 2018/19. Each directorate is expected to identify savings schemes either locally or through the Financial Improvement Programme workstreams to this level. The draft financial plan outlined that the Financial Improvement Programme tracker includes projects with a full year efficiency saving of £10 million.



Recommendation 7

Develop detailed, risk assessed, savings plans to articulate how the target 2019/20 savings requirement of £74.8m will be achieved. Take steps to ensure ownership, responsibility and accountability for these plans across all levels within the organisation including appropriate monitoring, management and reporting arrangements at the Board, executive and directorate level

79. The Board's Financial Plan sets out the savings requirements over a three year period. The Board do not include financial projections or savings requirements over

a medium to long term period. Challenges exist for predicting a longer term financial position due to uncertainty around, for example, EU withdrawal and the arrival of new financial powers. The Board needs to do more to plan for these events including scenario planning or modelling, together with identifying the necessary efficiency savings required to break even over the medium to longer term.



Recommendation 8

Undertake scenario planning and associated financial modelling where the impact of known future events cannot be predicted with certainty.



Recommendation 9

Prepare medium to longer term efficiency savings requirements based on key financial assumptions about future funding and costs and the “most likely outcome” scenario planning model for uncertain events.

80. While the funding gap for the next three years has been identified, savings options to meet this gap have not yet been fully developed. In determining the options for future savings plans it is incumbent upon the Board to recognise that such strategies will also need to fit with the plans of its partners in the local public sector economy. Therefore, the Board will need to work closely with all partners as it seeks to develop its approach to achieving future savings and efficiency requirements and consideration should be given to finalising the financial plan prior to the start of the financial year.

Workforce planning

81. The Scottish Government published the Health and Social Care Delivery Plan in 2016 and prioritised the three main areas of better care, better health and better value. NHS Greater Glasgow and Clyde added a further priority to their corporate objectives, of ‘Better Workplace’ with an aim of supporting and empowering their workforce.

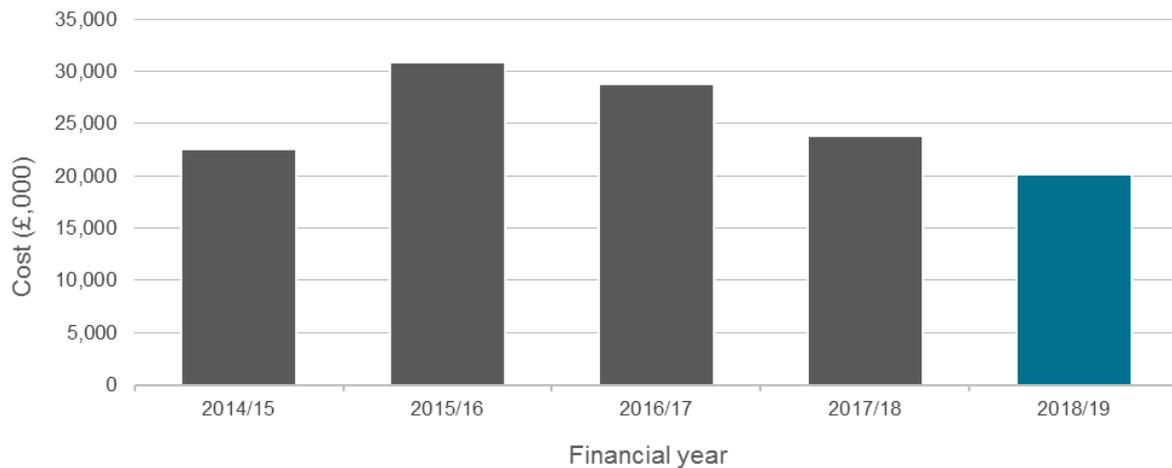
82. Within the 2018/19 Workforce Plan, NHS Greater Glasgow and Clyde acknowledged their ageing workforce and outlined recruitment challenges in several areas. Over the last 8 years, the number of staff aged over 50 has increased by 9.4%. The Board has initiatives in place to support staff including the Health Working Lives Strategy and the Working Longer Review and recommendations.

83. During 2018/19, the Board developed a refreshed campaign to recruit graduate nurses. A pro-active approach was taken to meeting students and promoting the Board. A ‘One Stop Shop’ interview process was followed and graduates had opportunities to speak to senior nursing staff and ask questions and find out more about the organisation.

84. The Board recruited 458 newly qualified nurse graduates who will work across the Board. A refreshed induction programme was delivered and the recruitment exercise has addressed most of the nursing vacancies within the Board.

Exhibit 7

Temporary staff costs



Source: NHS Greater Glasgow and Clyde Annual Accounts 2014/15 – 2018/19

85. As demonstrated in [Exhibit 7](#), the Board's temporary staffing costs have reduced for the third year running and are currently at their lowest level in a five year period. Senior officers have continued to exert robust financial monitoring arrangements and a number of cost containment measures have been actioned to help reduce temporary staff costs. Management contract arrangements have remained in place to oversee the appointment of locums and focus has been given to reducing junior medical agency spend.

86. Achievement of the national performance standard of 4% for sickness absence remains a challenge for NHS Greater Glasgow and Clyde, as it does for most health boards. The sickness absence rate was 5.5% at February 2019 compared to 5.4% for the comparable period last year. The Board is developing revised Attendance Management processes. This will clarify Human Resources and line managers roles and responsibilities and outline the support available to staff in managing their health.

EU Withdrawal

87. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services;
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports; and
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

88. NHS Greater Glasgow and Clyde has considered the impact of each of these areas. The Board has participated in some national initiatives such as workforce surveys to determine the number of staff and areas that may be affected and have responded to operational readiness checklists from Scottish Government.

89. A Brexit Readiness Steering Group was established to address issues that may lead to risks to the organisation. The group is chaired by the Head of Board Administration and Corporate Governance and includes representation from workforce, procurement, pharmacy, resilience, finance and corporate inequalities.

90. A variety of risks have been identified and arrangements are underway to mitigate these, and other risks identified, where possible. Some risks, such as the impact of market turbulence and the resultant impact on the supply chain and availability and cost of medicines and equipment, cannot be quantified financially.

91. The Board is taking reasonable steps to prepare for the impact of EU withdrawal.

Good practice

92. As outlined at paragraph 85, the Board identified an opportunity to promote the Board as a future employer for graduate nurses to consider. This was achieved through early engagement and a refined recruitment campaign process. The new approach resulted in the successful recruitment of 458 graduates' nurses and addressed a high proportion of vacancies within the Board.

Part 4

Governance and transparency



Main judgements

The Board has appropriate and effective 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 and there is effective scrutiny of the financial and performance management process.

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

Governance arrangements

93. The Board and accountable officer are responsible for establishing arrangements for ensuring the proper conduct of affairs at NHS Greater Glasgow and Clyde and for monitoring the adequacy of these arrangements.

94. Throughout 2018/19 we reviewed a wide range of governance documents, minutes and agenda papers. We attended all Audit and Risk Committee meetings and we consider these operate effectively. We also regularly attend the Acute Services Committee and the Finance and Planning Committee. To further support our wider dimension audit work, we also attended some meetings of other standing committees.

95. We noted enhancements to the governance arrangements around committees. It is evident from a review of minutes that work has been undertaken to standardise the recording of minutes. This has resulted in minutes more accurately reflecting discussions taking place and articulating the committees conclusion or decision for all agenda items.

96. We observed a good level of scrutiny and challenge by members and it is evident that members are well prepared for meetings. A good working relationship exists between members and officers. Senior officers attend and present reports to all Board and committee meetings.

97. Members have a structured board seminar programme covering key areas of interest and importance. Members can request any additional information they require to support them in their role and can also suggest future seminar topics.

98. We did, however, note some challenges around agenda management, volume of papers and issuing of late papers.

99. The Board has appropriate governance arrangements in place and these arrangements provide a framework for effective organisational decision-making.

Openness and transparency

100. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the public 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.

101. There is evidence from a number of sources which demonstrates NHS Greater Glasgow and Clyde's commitment to transparency including the annual accountability review (where members of the public can attend). Additionally, Board meetings are open to the public.

102. While non-Board committee meetings are held in private, the minutes of these meetings are publicly available on the Board's website. The Board could consider the opportunity to hold committee meetings in public with sensitive or confidential items held in private session. Alternatively, the Board could further enhance transparency by making non-confidential committee papers public through its website.

103. Overall the Board conducts its business in an open and transparent manner but that there are some areas where the Board could improve current arrangements.

Performance report

104. In addition to the opinion on the performance report covered in Part 1 of this report, we also consider the qualitative aspects of the performance report. The purpose of a performance report is to provide information on a body, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of a body's performance and, is essential in helping stakeholders understand the financial statements.

105. The Performance Report should be structured in a way that allows a cohesive and clear narrative flow. Although the Financial Reporting Manual (FReM) identifies the requirements for a Performance Report as a list of bullets, a checklist approach is unlikely to achieve effective communication. NHS Greater Glasgow and Clyde's Performance Report provides an overview of the key events and issues during the year; however, it does not clearly signpost to the reader of the accounts the principal risks facing the organisation or the challenges going forward. We also consider that the report should be prepared earlier in the year-end reporting process.

Transparent reporting of financial and performance information

106. Each meeting of the Board receives a finance report and integrated performance report. Finance reports are also presented to the Finance and Planning Committee and Integrated Performance Reports to the Acute Services Committee.

107. The Finance Report provides information on current and projected financial position as well as highlighting financial challenges and pressures. The reports track the financial position from the start of the year through to year end projections. Whilst the performance reports note the status of key performance indicators, focus on areas for improvement and outline actions being taken by the Board to address performance issues.

108. The reports are transparent, timely and clear; and support effective scrutiny of the financial and performance management process. We are satisfied that this provides sufficient, but not excessive information, and that information reported is consistent with the year-end position. Our attendance at these meetings confirms that these reports are fully discussed and scrutinised.

Equalities

109. Public Bodies have a range of legal duties and responsibilities with regard to equality. The health board, like all other public bodies are required to meet the equalities duties as outlined within the Equality Act 2010.

110. The Board has an Equality Scheme, 'A Fairer NHS, NHSGGC' which covers the period 2016 to 2020. The scheme considers each equality outcome and identifies actions for improvement and mainstreaming. The planned activities are articulated alongside the measures required to take forward these actions.

111. Annual equality scheme monitoring reports are prepared outlining the work undertaken and actions achieved against the outcomes throughout the year. NHS Greater Glasgow and Clyde highlighted within their monitoring report some highlights including the completion of the equality and human rights e-learning module by 71% of the workforce, compared to less than 10% in the prior year and the review of interpreting services to promote consistency and maximise efficiencies across the service

Health and social care

112. There are six Integration Joint Boards (IJBs) within NHS Greater Glasgow and Clyde's catchment area and they became fully operational on 1 April 2016. The Board has good arrangements in place to identify all the financial transactions that relate to each IJB. It also has arrangements in place to agree its share of the IJB budgets and it provided each IJB with the appropriate financial information to enable them to monitor their financial budget.

113. Health Boards and Integration Authorities were required to agree a figure to cover the "set aside" sum for large hospital services to be included in their respective 2018/19 annual accounts. The Board and IJB have chosen to continue the transitional agreements for agreeing the set aside sum. Going forward into 2019/20, the set aside budget will continue on this transitional arrangement, however, the Board is awaiting guidance on the mechanism for fully implementing the set aside budget.

114. It is difficult to point to any shifts in spending (away from hospital care, toward the community) or improvements in performance resulting from the new structures; or to clearly identify particular actions that have led to improvements as there are many initiatives ongoing.

2020 Vision

115. 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.

116. The Board's 2019-20 Annual Operational Plan (AOP) outlines how NHSGGC will deliver expected levels of operational performance to provide the foundations for delivering the Cabinet Secretary's priorities on waiting times improvement, investment in mental health and greater progress and pace in the integration of Health and Social Care. This has been developed in the context of national, regional and local priorities and builds upon the progress made during 2018-19 in both quality and access to services across NHSGGC and its six Health and Social Care Partnerships (HSCPs).

117. The 2019-20 AOP is set within the context of its longer term Transformational Strategy Programme, Moving Forward Together (MFT). The MFT Strategy sets out NHSGGC's vision for health and social care over the next 5-10 years. The aim of the Programme is to develop and deliver transformational change aligned to national policies and strategies including the national Health and Social Care

Delivery Plan. The MFT programme emphasises quality and the need to deliver safe, effective, person-centred and sustainable care to meet the current and future needs of its population.

118. The MFT programme provides an overarching framework for change across community, primary and secondary care settings and is currently progressing programmes of work to deliver new models of care across health and social care. Six work streams are established and tasked with overseeing the development of delivery plans. These are multi-disciplinary teams co-chaired by an HSCP Chief Officer, a Service Clinician and an Acute Director. Each work stream has identified a schedule of priorities for 2019-20 and will be progressing work towards their implementation throughout the year.

Infection Control Reviews

119. During 2018/19, NHS Greater Glasgow and Clyde had three outbreaks of infection control in its hospitals. The Board implemented a number of actions in response to these outbreaks, including the establishment of Incident Management Teams.

120. In January 2019, an unannounced inspection was undertaken by Healthcare Inspection Scotland. The Board has developed an action plan to address the inspection findings. Further to this, the Cabinet Secretary has an external review of the Queen Elizabeth University Hospital. The findings from this review will be published in due course.

Part 5

Value for money



Main judgements

NHS Greater Glasgow and Clyde has a clear performance management framework in place that supports the Board in its drive to deliver value for money and focusses attention on the organisations ambition to continuously improve service delivery. Our overall view is that the framework is generally effective but the opportunity exists to secure further meaningful improvements in its design and operation.

The Board experienced difficulties in meeting some of the Scottish Government key performance targets during 2018/19 and only fully achieved two out of the eight required measures. However, the Board delivered notable improvements in performance against revised trajectories agreed with the Scottish Government for endoscopy services, the treatment time guarantee and outpatients waiting time targets. It is essential that the Board builds on this success and seeks to transfer learning to those areas where performance has been slow to improve.

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

Best value

121. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value .

122. NHS Greater Glasgow and Clyde aim to embed best value across the organisation through a continual drive for improvement. This is demonstrated through the Moving Forward Together programme which aims to design a new system of care in the most effective way to provide safe, effective, person centred and sustainable care to meet the current and future needs of the population and to provide best value.

123. These ambitions will be achieved by redesigning the way services are delivered to ensure an efficient and sustainable model. The Board has taken an inclusive approach to the design of this programme with clinicians from acute services and primary care working together, along with patients, service users, the public and staff.

124. The Financial Improvement Programme runs alongside this and the Board has encouraged staff involvement across all levels of the organisation through various initiatives including 'small change matters' where staff were able to make suggestions for efficiencies or service redesign improvements within the areas they work.

Performance management

125. The Board is kept well informed of performance across all areas. Integrated performance reports are presented to each meeting of the Board and Acute

Services Committee. The detailed review and scrutiny of performance is delegated to the Acute Services Committee which meets bi-monthly.

126. The integrated performance reports contain a balanced scorecard showing all indicators. The indicators are presented under the four key themes of the 2018/19 Corporate Objectives – Better Care, Better Health, Better Value and Better Workplace. Performance measures within the reports include the 2018/19 Annual Operational Plan standards; critical Health and Social Care indicators and local key performance indicators of high profile.

127. Exception reports are included within the report for each measure where performance varies by greater than 5% from the target. Each exception report outlines current Board and national performance and will include graphical illustrations of performance across the past year. The narrative within the report provides context around the performance levels and each exception report outlines actions to address performance along with the timeline for improvement.

128. Throughout the year 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.

129. Scott Moncrieff undertook a review of the Board's performance reporting and whilst it stated that performance management arrangements reflect good practice in many areas, there was scope for significant improvement in some areas including how performance against objectives is measured and reported. This is appropriately included within the Governance Statement as an area for improvement.

Overview of service performance

130. The Board's performance information, presented to the May Acute Services Committee, detailed performance against 35 separate measures, 22 of which were given a performance rating. These include key performance standards as reported in the 2018/19 annual accounts. Performance as at the end of March 2019 for the 22 measures given a performance rating is summarised [Exhibit 9](#) which broadly shows an overall decline in the number of measures where the target performance has been met or is within acceptable standards

Exhibit 9 Overall performance against LDP standards



131. From 2018/19, the Scottish Government requires that NHS Boards should focus on the eight key standards that are most important to patients. It was expected that NHS boards will achieve as a minimum the March 2017 outturn position by March 2019. The eight key standards are:

- 62-day Cancer Wait
- 31-day Cancer Wait
- 12-week Outpatients Wait
- Diagnostics 42 day wait
- Treatment Time Guarantee
- Child & Adolescent Mental Health Services (CAMHS) within 18 weeks of referral
- Psychological Therapies within 18 weeks of referral
- Accident & Emergency Waiting Times within 4 hours.

132. Performance at March 2019 for each of the Scottish Government's key standards is provided at [Exhibit 10](#), along with action being taken by the Board to address standards where NHS Greater Glasgow and Clyde is not meeting the national target.

Exhibit 10 Performance against key performance targets

Target/standard	Performance at March 2019 (March 2018 in brackets)	Action being taken by Board	Direction of travel since March 2018
62 day cancer target Patients with a suspicion of cancer treated within 62 days	95% ● 77.2% (82.1%) Scottish average March 2019: 79.9%	Recruitment agreed to key posts. A revised cancer performance management process which includes weekly tracking meetings for all services and monthly cancer performance meetings to review performance, long waits, trends from breach reports and corrections actions required.	
31 Day Cancer Wait Patients diagnosed with cancer who begin treatment within 31 days	95% ● 95.9% (93.6) Scottish average March 2019: 95.5%	N/A – performance exceeds the national target.	
12 Week Outpatients Wait	95% ● 66.3% (74.5%)	The Board are utilising patient focussed booking,	

Patients wait time from referral to first outpatient appointment within 12 weeks		Revised trajectory: 23,180 patients Outturn: 20,485 patients Scottish average March 2019: 78.8%	referral triage and daily review of cancelled appointments to ensure full utilisation of capacity. Weekly and monthly outpatient booking reports are monitored to maximise productivity across services.	
Diagnostics	100%	● 78.1% (At December 2018) Scottish average March 2019 84.0%	Focus on patients with highest clinical need and longest wait. Additional Saturday sessions at Stobhill and Gartnavel General Hospital.	
Diagnostic 42 day wait for a range of endoscopy and radiology treatments				
Treatment Time Guarantee (TTG)	100%	● 69.7% Revised trajectory: 7,300 patients Outturn: 7,121 patients Scottish average March 2019: 71.9%	Allocation of non recurring funding received from SG to support a range of improvement actions, internal waiting list initiatives, redesign and private sector capacity. Productivity improvement actions to ensure all theatre capacity is fully utilised. Work underway to produce waiting time improvement plan to secure long term improvement in performance.	
Proportion of patients that were seen within 12 weeks TTG				
Accident & Emergency Waiting Times	95%	● 88.9% (86.7%) Scottish average March 2019: 89.3%	Introduction of Allied Health Professionals in emergency departments at QEUH and Gartnavel General Hospital to ensure patients are directed to appropriate specialists. Introduction of emergency department redirection ensuring patients are signposted to appropriate alternatives to help reduce demand in emergency departments.	
Proportion of patients waiting less than 4 hours from arrival to admission				
Child & Adolescent Mental Health Services (CAMHS)	90%	● 79.2% (90.0%) (at February 2019) Scottish average March 2019: 77.6%	Utilise Choice and Partnership Approach methodology to maximise efficiencies and reduce wait for treatment continues. Increase clinical capacity based on lean methodology. Work is ongoing to reduce rejected referrals.	
Proportion of patients that were seen within 18 weeks of referral				
Psychological Therapies	90%	● 91.2%	N/A – performance exceeds the national target.	

Proportion of patients that were seen within 18 weeks of referral	(91.9%)
	Scottish average March 2019: 77.7%

Source: NHSGGC Acute Services Integrated Performance Report May 2019;
NHSGGC Integrated Performance Report Board April 2019.

133. During 2018/19 the Board received £20.1 million of non-recurring funding to support waiting time list reductions. The funding enabled short term increased capacity and supported the Board in achieving revised performance trajectories agreed with the Scottish Government in endoscopy, treatment time guaranteed and outpatients. Trajectories have been developed to March 2020 to show how waiting times will be reduced. However, the Board is in discussion with Scottish Government regarding 2019/20 funding.

134. An investment schedule to March 2020 has been submitted and outlines several performance commitments. Short to medium term plans include the use of additional locum consultants and waiting list initiatives, whilst long term planning and delivery is supported by demand and capacity analysis.

135. It is a challenge for the Board to meet all targets while operating within financial settlements which require savings to be achieved. We have concluded that the Board has good arrangements for monitoring targeted performance issues. However, we recognise that the Board has only met two of the eight targets and that meeting the waiting time targets is a significant challenge.



Recommendation 10

Learn the lessons from measures already implemented to improve performance in key waiting time targets to place greater emphasis on getting closer to the target and national averages for Treatment Time Guarantees, 12 week Outpatient Wait, Diagnostics, and 62-day Cancer Wait times.

National performance audit reports

136. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2018/19 a number of reports were published which are of direct interest to the Board and are highlighted in [Appendix 4](#).

137. The Board has processes in place to ensure national performance reports and their impact on the Board are considered by the Audit and Risk Committee or an appropriate governance committee.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Performance Report and Governance Statement</p> <p>The performance and accountability report form an integral part of the accounts. The draft report provided on 13 May 2019 required a number of changes prior to a revised version being passed to audit on 3 June 2019. There was no evidence of the initial draft report having been reviewed prior to being passing to audit.</p> <p>The governance statement provided as part of this report was also incomplete with some elements outstanding. This included the disclosure of significant issues and the appropriate assurance statements from some directors. The narrative contained within some assurance statements was restricted to yes/no answers and we would expect additional narrative to be provided by officers to provide evidence for the Chief Executive's review.</p> <p>Risk - The audit is delayed due to the absence of comprehensive complete reports within the annual accounts audit package.</p>	<p>We recommend that officers introduce a comprehensive quality review prior to submitting the year-end reporting documents (performance and accountability report including annual governance statement and annual accounts) for audit, to minimise the number of changes required.</p> <p>ISA 260 Finding 1</p>	<p>The process of collating the assurance statements is always a challenge in an organisation of this size. The large majority were completed along with the Annual Accounts.</p> <p>The finance team will undergo a restructure in 2019/20 and the drafting and checking of the Performance and Accountability Report, and the Governance Statement, will be subject to different arrangements at the next year end.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date 31 March 2020</p>
2	<p>RTA Income</p> <p>There is no bad debt provision nor bad debt write off as recommended by the guidance.</p> <p>Risk – The RTA position within the financial statements may</p>	<p>The Board should ensure it fully adopts the guidance issued by the Department of Work and Pension.</p> <p>ISA 260 Finding 2</p>	<p>This will be adopted as part of the 2019/20 year end process.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date 31 March 2020.</p>

be mis-stated.

3	Debt write off	<p>The Board should ensure that all write offs are recorded in the correct accounting year. Timeous approval should be sought from Scottish Government on write offs above the specified limit.</p> <p>ISA 260 Finding 3</p>	<p>This will be completed as part of the 2019/20 year end process.</p> <p>Responsible officer Assistant Director of Finance – Financial Services</p> <p>Agreed date 31st March 2020.</p>
	<p>We noted last year that no debts were written off and were informed that overseas patient debt would be written off in 2018/19. We established that this debt was written off but that approval for this was received from Scottish Government in 2017/18.</p> <p>We also noted that 4 debts were written off this year prior to receiving Scottish Government approval. The Audit and Risk Committee approved this write off on 4 June and approval is now being sought from Scottish Government.</p> <p>Risk – The annual accounts may be mis-stated and the Board may not be complying with SG guidance.</p>		
4	Untaken leave accrual	<p>The Board should establish a more definitive process for establishing the untaken leave position at the end of each financial year.</p> <p>ISA 260 Finding 4</p>	<p>Whilst there is no material difference year on year, this will be completed as part of the 2019/20 year end process.</p> <p>Responsible officer Assistant Director of Finance – Financial Services</p> <p>Agreed date 31st March 2020.</p>
	<p>The untaken leave accrual is based on the untaken leave position as at 31 March 2018. No exercise was undertaken this year to quantify the untaken leave as at 31 March 2019.</p> <p>Risk – The accounts could be mis-stated.</p>		
5	Deferred Income – Research and Development Contracts	<p>The Board should undertake a review of its deferred income on a project by project basis to demonstrate how each scheme complies with the requirements of IFRS 15.</p> <p>ISA 260 Finding 5</p>	<p>The Board's finance team believe the Board's accounting treatment is correct and in accordance with other NHS Boards and IFRS 15.</p> <p>However, we will continue dialogue with Audit Scotland through 2019/20.</p> <p>Assistant Director of Finance – Financial Services</p> <p>Agreed date 31st March 2020.</p>
	<p>The Board's 2018/19 trade payables balance includes an amount for deferred income, the majority of which relates to research and development contracts. The Board has not provided evidence that the deferred income balance is in adherence with the guidance contained in IFRS 15.</p> <p>Risk – The Board's accounts may be mis-stated.</p>		
6	Capacity of Finance	<p>The Board should take steps to ensure that the finance function is appropriately resourced with experienced, skilled and knowledgeable</p>	<p>As outlined above, the finance team will undergo a restructure in 2019/20. This will address the recent departures and prepare the team for</p>
	<p>The finance function has experienced staffing changes over the past year which</p>		

affected officers involved in the preparation of the financial statements. Temporary arrangements were established however longer-term solutions are required.

Risk - The finance function is not appropriately resourced in terms of experience and knowledge, potentially leading to issues with financial management and accounts preparation.

staff. Ensure succession planning arrangements are in place.

[Paragraph 50](#)

impending retirements.

A draft structure is currently under review, discussion and the early stages of consultation.

Responsible officer

Director of Finance

Agreed date

30th September 2019.

7 Efficiency savings

For 2019/20 the Board is required to deliver savings of £74.8 million. The Board has yet to identify how all the savings will be achieved.

Risk – the Board may not be able to deliver the targeted savings in 2019/20 and beyond.

Develop detailed, risk assessed, savings plans to articulate how the target savings requirement of £74.8m will be achieved. Take steps to ensure ownership, responsibility and accountability for these plans across all levels within the organisation including appropriate monitoring, management and reporting arrangements at the Board, executive and directorate level.

[Paragraph 78](#)

The report acknowledges the extensive work undertaken by the Board in 2018/19 in establishing the Financial Improvement Programme (FIP), supported by a PMO.

This process, including the extensive buy-in by management and staff across the organisation, delivered financial balance in 2018/19.

The FIP has been rolled forward into 2019/20.

However, achieving recurring savings is becoming more difficult every year without impacting on service levels. Whilst the currently identified savings for 2019/20 are significantly short of the required target, we will endeavour to deliver in line with previous years.

Responsible officer

Director of Finance

Agreed date

31st March 2020.

8 Medium to long term efficiency savings

The financial plan sets out the savings over a three year period. Consideration should be given to preparing medium to longer term efficiency savings targets.

Risk – Savings requirements for the longer term may not be identified and achieved.

The Board should undertake scenario planning and associated financial modelling where the impact of known future events cannot be predicted with certainty.

[Paragraph 79](#)

As above for Issue/risk No.7.

9 Medium to long term efficiency savings

The financial plan sets out the savings over a three year period. Consideration should

Prepare medium to longer term efficiency savings requirements based on key financial assumptions about future funding and costs and

As above for Issue/risk No.7.

be given to preparing medium to longer term efficiency savings targets.

Risk – Savings requirements for the longer term may not be identified and achieved.

the “most likely outcome” scenario planning model for uncertain events.

[Paragraph 80](#)

<p>10</p>	<p>Overview of service performance</p> <p>The Scottish Government has identified a number of performance standards that significantly impact on patients which boards have to focus on in 2019/20. The Board’s performance against a number of these key standards has been in an adverse position during 2017/18.</p> <p>Risk - Performance may not improve or may continue to deteriorate if not addressed.</p>	<p>Learn the lessons from measures already implemented to improve performance in key waiting time targets to place greater emphasis on getting closer to the target and national averages for Treatment Time Guarantees, 12 week Outpatient Wait, Diagnostics, and 62-day Cancer Wait times.</p> <p>Paragraph 135</p>	<p>The Board is fully committed to improving performance and delivering on the targets outlined in the Scottish Governments Waiting Times Improvement Plan.</p> <p>This commitment, including actions and trajectories, are outlined in the Boards Annual Operational Plan.</p> <p>Responsible officer Director of Finance</p> <p>Agreed date 31st March 2020</p>
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Follow up of prior year recommendations

<p>b/f 1</p>	<p>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. Accounts preparation and audit work are put under additional pressure.</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 NHSGCC accounts.</p>	<p>The IJB accounts and papers were not provided within agreed timescales in 2018/19. Information received 6 June 2019.</p>
<p>b/f 2</p>	<p>Road Traffic Accident</p> <p>The income accrual is not in line with guidance issued by the Department of Work and Pensions. There is no bad debt provision nor bad debt write off as recommended by the guidance.</p> <p>Risk</p> <p>The RTA debtor position within the financial statements may be mis-stated.</p>	<p>The Board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme.</p>	<p>Progress has been made in this area but the Board has still to implement a bad debt provision.</p> <p>Revised action: see action 2 above.</p>
<p>b/f 3</p>	<p>Debt Write off</p> <p>Our review of the bad debt provision highlighted a number of debts over three</p>	<p>The Board should undertake an annual review of debts deemed to be irrecoverable and write off as appropriate.</p>	<p>Superseded: See action 3 above</p>

years old and there were also debts relating to overseas patients. We have been informed that some of the overseas patient debt will be written off in 2018/19.

Risk

The annual accounts may be mis-stated.

b/f 4	<p>Capacity of finance function</p> <p>The finance function has experienced staffing changes over the past year which affected officers involved in the preparation of the financial statements. Temporary arrangements were established however longer-term solutions are required.</p> <p>Risk</p> <p>The finance function is not appropriately resourced in terms of experience and knowledge, potentially leading to issues with financial management and accounts preparation.</p>	<p>Review roles and structures within finance to ensure they meet current demands. Ensure succession planning arrangements are in place.</p>	<p>Superseded: See action 6 above.</p> <p>Responsible officer</p> <p>Revised date</p>
b/f 5	<p>Efficiency savings</p> <p>For 2018/19 the Board is required to deliver savings of £93 million. The Board has yet to identify how all the savings will be achieved.</p> <p>Risk</p> <p>The Board may not be able to deliver the targeted savings in 2018/19, and beyond.</p>	<p>The Board should ensure that savings plans are developed identifying how the £93 million of savings required will be delivered.</p>	<p>Superseded: See action 7 above.</p>
b/f 6	<p>Medium to long term efficiency savings</p> <p>The Annual Delivery Plan does not set out the savings requirement beyond 2018/19.</p> <p>Risk</p> <p>Savings requirements for the medium to longer term may not be identified and may not be achieved.</p>	<p>The Board should prepare medium to long term efficiency savings requirements based on its key financial assumptions about future funding and costs.</p>	<p>Superseded: See action 8 above.</p>
b/f 7	<p>Overview of service performance</p> <p>The Scottish Government</p>	<p>The Board should review and monitor its investments designed to improve</p>	<p>Superseded: See action 9 above.</p>

has identified a number of performance standards that significantly impact on patients which boards have to focus on in 2018/19. The Boards performance against a number of these key standards has been in an adverse position during 2017/18.

Risk

Performance may not improve or may continue to deteriorate if not addressed.

performance and determine whether specific areas/specialities require more detailed scrutiny or additional actions to be taken.



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 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 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 year.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Within substantive testing we considered whether transactions were within the normal course of business. When selecting samples, we reviewed ledger or transactions listings for any transaction that were outside the normal course of business.</p> <p>Substantive testing of transactions around the year end identified controls were operating effectively.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2 Risk of fraud over income</p> <p>NHS Greater Glasgow and Clyde receives a significant amount of income from several sources including Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p> <p>Obtain assurances from the NHS Scotland Counter Fraud Service.</p>	<p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Assurances were obtained from the findings of NHS Scotland Counter Fraud Service.</p> <p>Completion of the NFI questionnaire identified NHS Greater Glasgow and Clyde are progressing the investigation of NFI matches in the current</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>exercise.</p> <p>Conclusion: We did not identify any incidents of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. NHS Greater Glasgow and Clyde incurs significant expenditure on a range of activities which will require audit coverage.</p>	<p>Detailed testing of expenditure transactions focussing on the areas of greatest risk.</p> <p>Obtain assurances from the NHS Scotland Counter Fraud Service.</p>	<p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Assurances were obtained from the findings of NHS Scotland Counter Fraud Service.</p> <p>Completion of the NFI questionnaire identified NHS Greater Glasgow and Clyde is progressing the investigation of NFI matches in the current exercise.</p> <p>Conclusion: We did not identify any incidents of fraud over income.</p>
<p>4 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 assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert for the professional valuer.</p> <p>Review of information provided by the Central Legal Office.</p> <p>Focussed substantive testing on values and balances which are derived by valuation and estimation, including accruals and provisions.</p>	<p>Review of the work of an expert was completed for the professional valuer and the Central Legal Office which confirmed that assurances can be taken from their work.</p> <p>A review of the revaluations performed by the valuer identified these had been performed in a reasonable manner and had been correctly reflected in the financial statements.</p> <p>A review of the information provided by the Central Legal Office to support the provision clinical and medical legal claims and for CNORIS did not identify any issues and these have been correctly reflected in the financial statements.</p> <p>A review of other estimates and judgements did not show any evidence of bias and accounting policies were appropriate.</p> <p>Substantive testing undertaken on asset revaluation's, accruals and provisions as part of the financial statements audit.</p> <p>Conclusion: Estimations and judgements included in the financial statements are reasonable and supported by evidence.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>5 Integration Joint Boards</p> <p>In both 2016/17 and 2017/18, the IJB figures for incorporation into the NHS Greater Glasgow and Clyde group accounts were received later than planned. The Board should agree a timetable and approach for obtaining IJB figures for consolidation and assurances required for the group governance disclosures.</p> <p>There is a risk that the Board's accounts do not include the necessary consolidation adjustments and are delayed if the financial information is received late.</p>	<p>We shall seek assurances from the appointed external auditor at each IJB ad liaise as appropriate.</p> <p>We will obtain assurances from the Board's Director of Finance for the group governance disclosure.</p> <p>Specific group account testing will assess the appropriateness of consolidation transactions.</p> <p>We will review arrangements within the Board for gaining assurances throughout the year around IJB balances, budgets and performance.</p>	<p>Early discussions with officers confirmed the year end timetable for receipt of IJB information.</p> <p>Assurances were obtained from the appointed external auditor at each IJB.</p> <p>We held discussions with officers and reviewed the arrangements within the Board for recording and monitoring IJB budgets and performance during the year.</p> <p>We are completing specific group account testing on the consolidation transactions. The results of the IJBs were appropriately brought in to the Board's accounts.</p> <p>Conclusion: Whilst arrangements were in place for the receipt of the IJB accounts and working papers, the timing of this was significantly later than the agreed timescales.</p>
<p>6 Road Traffic Accident</p> <p>During 2016/17 new guidance was issued in relation to how RTA income should be reflected in the financial statements. In 2017/18, the Board recognised an accrual of income based on cash received for the last three months of the year rather than claims made. Furthermore, no corresponding bad debt provision or bad debt write off has been calculated although recommended by the guidance.</p> <p>The Board should ensure that an appropriate process is in place for the recording of details processed in relation to the Injury Recovery Scheme, otherwise there is a risk that income is misstated within the financial statements.</p>	<p>Early discussions with finance officers to determine what processes have been put in place to appropriately record claims pursued on the Board's behalf.</p> <p>Review of established processes.</p> <p>Substantive testing of the Board's RTA income and debtor figures and associated provisions.</p>	<p>Discussions with officers confirmed the arrangements in place for collecting claims information.</p> <p>During the financial statements audit, the processes established were reviewed and the calculations reviewed.</p> <p>The Board has obtained information for the claims submitted in relation to the Injury Recovery Scheme over the past two years. A database has been developed to record claims submitted and the outcome of any claims concluded. Revised guidance was issued during the year and the Board did not apply the new percentage split for accrual of income to their calculation, resulting in an error of £136k.</p> <p>The Board has still not calculated a bad debt provision as outlined in within the guidance.</p> <p>Conclusion: The Board has obtained reliable information regarding the Injury Recovery Scheme which it has used as the basis for the accrual of income. There is no bad debt provision nor bad debt write off as recommended by the</p>

Audit risk	Assurance procedure	Results and conclusions guidance.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>7 Financial sustainability</p> <p>NHS Greater Glasgow and Clyde's financial plan for 2018/19 identified a savings requirement of £93 million. At month 6, the Board is projecting a year end £20 million deficit.</p>	<p>Monitor updates to the Financial Plan and the ongoing financial position.</p> <p>Review the monthly financial returns to the SGHSCD.</p> <p>Review the financial monitoring reports to the Board, acute services committee and finance and planning committee.</p> <p>Attendance at the Finance and Planning committee.</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>Reviewed the financial plan and relevant financial papers to monitor the ongoing financial position.</p> <p>Reviewed the monthly returns to the SGHSCD.</p> <p>Attended Finance and Planning committees. Reviewed financial monitoring reports presented to the Board and other standing committees.</p> <p>Discussions with finance officers to keep up to date with financial developments during the year.</p> <p>Reviewed a sample of pre- and post-year end transactions and confirmed that these were accounted for in the correct financial year.</p> <p>Conclusion: The Board achieved its savings requirement of £93 million, albeit with significant reliance on non-recurrent funds.</p>
<p>8 Financial Capacity</p> <p>Over the past year the Health Board has experienced staffing changes within the finance function. These changes affect officers involved in the preparation of the financial statements and the subsequent audit process.</p> <p>The Board should ensure that the finance function is appropriately resourced and that effective succession planning arrangements are in place.</p> <p>There is a risk that the finance department is not sufficiently resourced in terms of time, experience and knowledge to support the preparation of the financial statements.</p>	<p>We shall have early discussion with officers regarding the annual accounts timetable. Discussions will continue throughout the course of the audit.</p> <p>We will issue a working paper checklist to outline requirements and agree timescales for the receipt of unaudited accounts and working papers.</p>	<p>Discussions with officers regarding the annual accounts.</p> <p>Weekly meetings with finance officers throughout the audit process.</p> <p>A working paper checklist was issued in March 2019 outlining the requirements for the annual accounts working papers.</p> <p>Conclusion: The unaudited annual report and accounts along with supporting working papers were provided in line with agreed timescales. However substantial revisions were required to the unaudited accounts and we are aware of several vacancies within the finance function.</p>
<p>9 Performance</p> <p>The Board continues to face difficulties in achieving all its key performance targets. There is a risk that due to financial pressures and competing</p>	<p>Monitor the regular performance reporting to the board and committees.</p> <p>Attendance at the Acute Services Committee.</p>	<p>Reviewed the Integrated Performance Reports presented to the Board and Acute Services Committee.</p> <p>Attended Acute Services</p>

Audit risk	Assurance procedure	Results and conclusions
priorities, performance targets are not met.		Committee. Conclusion: The Board continues to experience challenges in improving performance against a number of key performance targets.

Appendix 4

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

NHS relevant reports

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

NHS Greater Glasgow and Clyde

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