



**Scott-Moncrieff**  
business advisers and accountants

# **National Waiting Times Centre Board**

External Audit Plan  
2017/18

**February 2018**

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# Introduction

# Introduction

## Overview

1. This document summarises the work plan for our 2017/18 external audit of National Waiting Times Centre Board (“the Board”), also known as the Golden Jubilee National Hospital.
2. The core elements of our work include:
  - an audit of the 2017/18 annual report and accounts;
  - a review of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
  - any other work requested by Audit Scotland.

## Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including NHS bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has reappointed Scott-Moncrieff as external auditor of the Board for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2017/18 and summarises:
  - the respective responsibilities of Scott-Moncrieff and the Board;
  - our audit strategy;
  - our planned audit work and approach;
  - our proposed outputs, timetable and fee; and
  - background to the audit team.

## Confirmation of independence

6. International Standards on Auditing (ISAs) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. In May 2017, the Board requested Scott-Moncrieff assist in the preparation of a business case for a digital application. The non-audit work consists of reviewing the reasonableness and completeness of business case assumptions. This work has not involved management decision making and has been undertaken by the Scott-Moncrieff Corporate Finance team, entirely separately from the Public Sector External Audit team. The expected non-audit fee is £12,000.
9. In line with Audit Scotland planning guidance, approval was obtained from the Scott-Moncrieff ethics partner and Audit Scotland before commencing this non-audit work.
10. With regard to our appointment to the Board for a second five year term, we can confirm that we comply with FRC’s Revised Ethical Standard which states that careful consideration must be given once an audit engagement partner has held the role for a continuous period of ten years. We do not consider our second five year term to contradict the requirement of the Revised Ethical Standards. This is in line with guidance from Audit Scotland which states that there is no expectation for the rotation of audit partners for national health board audits.

## Adding value through the audit

11. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.
  12. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
  13. While this plan is addressed to National Waiting Times Centre Board, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
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# Respective responsibilities

# Respective responsibilities

## Auditor responsibilities

### Code of Audit Practice

14. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

### Our responsibilities

15. Auditor responsibilities are derived from statute, the Code, ISAs, professional requirements and best practice and cover our responsibilities when auditing financial statements and when discharging our wider scope responsibilities. These are to:

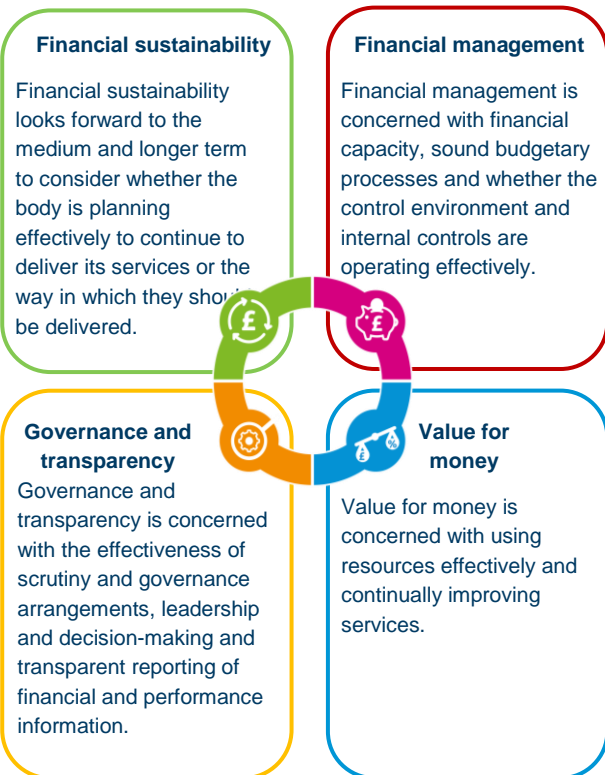
- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on audited bodies' financial statements and where appropriate, the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Auditor General when circumstances indicate that a statutory report may be required;
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
  - suitability and effectiveness of corporate governance arrangements; and
  - financial position and arrangements for securing financial sustainability.

16. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

### Wider scope audit work

17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised below in Exhibit 1.

### Exhibit 1: Audit dimensions of wider scope public audit



18. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but also on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability projections.

19. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and

- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

20. Our assessment takes into account the size, nature and risks of the Board. Taking these factors into consideration, we have concluded that we will apply our full wider scope audit responsibilities.

### The Board's responsibilities

21. The Board has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board's responsibilities are summarised below in Exhibit 2.

## Exhibit 2 – Board's responsibilities

Area	Board's responsibilities
<p><b>Annual report and accounts:</b> The Board must prepare an annual report and accounts containing financial statements and other related reports.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority</li> <li>• maintaining proper accounting records</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>



<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.</p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the Board's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The Board should involve those charged with governance in monitoring these arrangements.</p> <p>The Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

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# Audit Strategy

# Audit Strategy

## Risk-based audit approach

22. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers	Discussions with non-executive members	Attendance at the Audit and Risk Committee	Our understanding of the health sector and its key priorities and risks	Guidance from Audit Scotland
Discussions with Audit Scotland and other NHS auditors	Discussions with internal audit and reviews of their plans and reports	Review of the Board's corporate strategies and plans	Review of the Board's corporate risk register	Consideration of the work of other inspection bodies

23. Planning is a continuous process and our audit plans are therefore updated during the course of the audit to take account of developments as they arise.

### Communications with those charged with governance

24. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the Board that these communications will be through the Audit and Risk Committee.

### Professional standards and guidance

25. We perform our audit of the financial statements in accordance with ISAs, the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the FRC.

### Partnership working

26. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

27. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

28. Audit Scotland undertakes national performance audits on issues affecting the Board. We will review the Board's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

29. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

### Internal audit

- 30.** The Board's internal audit function is provided by PwC. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Board's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource available to the Board is used efficiently and effectively.

### Shared systems and functions

- 31.** Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and sharing audit findings. The Board uses NHS Greater Glasgow and Clyde for payroll services. The Board also uses the National Single Instance (NSI) e-financials service (financial ledger services hosted by NHS Ayrshire and Arran). The appointed auditors to these organisations will share with us their findings on work carried out on those systems.

### Other inspection bodies

- 32.** We plan to contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. Through enquiry of management as part of our initial planning discussions, we have not identified any other inspection work planned for 2017/18 which is directly relevant to our work, other than the work of internal audit and Audit Scotland. We will monitor this situation over the course of 2017/18 and update our plans as necessary.

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# Annual report and accounts

# Annual report and accounts

## Introduction

33. Health boards' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the Board's annual report and accounts.
34. The annual report and accounts comprise the financial statements, the performance report and the accountability report.

## Approach to audit of financial statements

35. Our opinion on the financial statements will be based on:

### Risk-based audit planning

36. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the financial statements will be based.

### An audit of key systems and internal controls

37. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.
38. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the Board's own policies and procedures.
39. We will take cognisance of any relevant internal audit reviews of systems and controls.
40. We will update the risk assessment following our evaluation of systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.

### A final audit of the financial statements

41. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on the risk assessment.

42. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the HM Treasury Financial Reporting Manual 2017-18 (FReM), the NHS Scotland Board Accounts Manual and the Accounts Direction issued by Scottish Ministers.

43. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

### Independent auditor's report

44. Our opinions on whether the financial statements give a true and fair view and the regularity of transactions will be set out in our independent auditor's report which will be included within the annual report and accounts.
45. We also provide an opinion on the auditable part of the remuneration report, annual governance statement and performance report.

### Materiality

46. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.
47. Our initial assessment of materiality for the financial statements is £2million, approximately 1.5% of the Board's forecast expenditure. Achieving a breakeven position through the application of both income and parliamentary funding is a key target for the Board and one of the principal considerations for the users of the accounts when assessing financial performance. We will review our assessment of materiality throughout our audit.

48. We set a performance materiality for each area of work which is based on a risk assessment for the area. We will perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

49. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatements with a value in excess £50,000; and

- Other misstatements below the £50,000 threshold that we believe warrant reporting on qualitative grounds.

Area risk assessment	Weighting	Performance materiality
High	40%	£0.8million
Medium	55%	£1.1million
Low	70%	£1.4million

## Key audit risks

50. Auditing standards require that we inform the Audit and Risk Committee of our assessment of the risk of material misstatement in the financial statements. Five significant risks are outlined below with one further significant risk to the wider scope of our audit outlined in section 5 of this plan. We will provide an update to the Audit and Risk Committee if our assessment changes significantly during the audit.

### 1. Revenue Recognition

Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Board could adopt accounting policies or recognise income in a way that materially misstates the Board's financial performance.



51. We have concluded that the risk of fraud in relation to revenue recognition is present in all non-government revenue streams. We will evaluate each material revenue stream and review the controls in place over revenue accounting. We will consider the Board's key revenue transactions and streams and carry out testing to confirm that the revenue recognition policy is appropriate and has been applied consistently throughout the year.

### 2. Risk of fraud in the recognition of expenditure

The FRC published Practice Note 10 which applies to the audit of financial statements for periods commencing after June 2016. The Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.



52. In response to this risk we will evaluate the significant expenditure streams at the Board (excluding payroll which we do not consider to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

### 3. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA 240.



53. In response to this risk we will review the Board's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly.

### 4. Consolidation of endowment funds

In October 2014 the National Waiting Times Centre Board Endowment Fund was registered with The Scottish Charity Regulator and the endowment funds were formally transferred to the National Waiting Times Centre Board Endowment Fund during 2015/16. Where material, health boards are required to consolidate endowment funds into their financial statements.

At 31 March 2017, the Endowment Fund totalled £1.248million and during 2016/17 incoming resources were £0.813million and charitable expenditure was £0.266million. The Board did not consider the Endowment Fund to be material to the 2016/17 annual accounts as a whole and as a result did not consolidate in 2016/17. However, indications are that the Endowment Fund is likely to hold greater assets at 31 March 2018 and as such could be considered material to the 2017/18 annual accounts.



54. We will continue to monitor developments with the Endowment Fund and will liaise with management to ensure adequate plans are in place should consolidation be required in 2017/18. We will review the audited annual accounts of the Endowment Fund and review management's assessment of whether the fund should be considered material to the Board's annual accounts. If consolidation is required we will review the accounting treatment adopted to ensure that the fund is recognised in the accounts appropriately.

### 5. The Golden Jubilee Conference Hotel

The Golden Jubilee Conference Hotel ('the hotel') forms a key part of the Board's unique model of care, with the hospital using the accommodation to assist with access for patients and their relatives from all over Scotland.

In May 2014 the Board approved the Beardmore 2020 Strategy. The strategy was developed to harness the strengths and opportunities available to the hotel, its role as an integral part of the Board and as a national resource for NHS Scotland. The Board's vision is that *"by 2020 the Beardmore will be recognised as a pivotal meeting and hospitality element of an internationally renowned Innovation Campus, a global centre of excellence in quality, innovation and collaboration in health, hospitality and learning."*

We consider that the unique nature of the Board's operations in this area gives rise to a potential risk of misstatement in the financial statements.



55. We will carry out a high level review of the financial controls in place at the Beardmore and we will review the accounting treatment of any income raised through the Beardmore to ensure that it is recognised in the accounts appropriately.



## The performance report, accountability report and other information

56. The FReM sets out the content required within the annual report and accounts. In addition to presenting our opinions over the financial statements, our independent auditor's report will also include our opinion on other aspects of the annual report and accounts:

### Other information

57. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.

58. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report.

### The performance report

59. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains two sections:

- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and
- a detailed performance summary of how the entity measures its performance.

60. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

### The accountability report

61. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:

- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
- A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
- A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.

62. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.

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# Wider Scope Audit

# Wider Scope Audit

## Introduction

- 63. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we will consider and report against these four dimensions: financial management; financial sustainability; governance and transparency; and value for money.
- 64. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon the understanding of the Board which we developed over the course of our audit appointment, along with discussions with management and review of Board and committee minutes and key strategy documents.
- 65. In 2017/18 we have also considered the following risk areas as they relate to the Board:
  - EU withdrawal
  - New financial powers;
  - Ending of public sector pay cap;
  - Response to cyber security risks; and
  - Openness and transparency.
- 66. At this stage of our audit planning, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability (outlined below).
- 67. We have not, at this stage, identified any significant risks in relation to financial management, governance and transparency or value for money. Audit planning is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report. The tables below summarise our audit work in respect of each dimension.



### Financial sustainability

**Financial sustainability looks forward to the medium and longer term to consider whether the Board’s planning processes support the future delivery of services.**

Consideration	Our audit approach
<p>In 2016/17 we found that the Board had effective arrangements in place for short and medium term (3-5 year) financial planning. At that time we noted that the Board had started to plan on a longer-term basis when considering the costs and demand for increasing capacity to deliver ophthalmology services, with projections of revenue estimated up to 2035.</p> <p>The 2017/18 LDP forecast a breakeven position against both recurring and nonrecurring funding for the period 2017/18 to 2019/20. The financial plan reflects the Scottish Government plans to invest over £100million in the coming years to expand the Board’s services. The planned expansion is a direct result of the success of the Board’s service model.</p>	<p>During our 2017/18 audit we will consider the Board’s financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. It is important that such arrangements remain effective in order to properly control the Board’s operations and use of resources.</p>

## Significant audit risk 6: Financial sustainability

As is standard practice, the Board's LDP covers a three year period, and is supported by a five year capital plan. The LDP forecasts a breakeven position against both recurring and non-recurring funding in each of the next three years. Although small increases are expected in the resources available to the Board over the next three years, the Board is expected to make substantial recurring efficiency savings each year. There is a risk that delivery of the Board's efficiency savings plans are at the detriment of services and/or on-going financial health.

In 2016/17 we noted that the Board had started to plan on a longer-term basis when considering the costs and demand for increasing capacity to deliver ophthalmology services, with projections of revenue estimated up to 2035. The good practice being demonstrated in relation to the planned expansion should inform an approach to the Board's overall financial planning on a 5 to 10 year basis to demonstrate the financial sustainability of the Board's unique service model.



68. The Board reports that, in partnership with other national and regional health boards, it has begun to develop a financial framework that will inform consideration of the Board's long term financial sustainability. During our audit we will consider the Board arrangements in place for managing its financial position and its use of resources, including the progress being made on the financial framework and related long term plans. Our conclusion will be based on a review of the Board's financial performance, underlying financial position, financial plans, financial reporting and achievement of savings targets.



### Financial management

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

Consideration	Our audit approach
<p>The Board has a strong track record of working within the resource limits and cash requirements set by the Scottish Government Health and Social Care Directorates (SGHSCD) and meeting its key financial targets.</p> <p>Financial forecasts to the end of October 2017 predict a break even position will be achieved for 2017/18.</p> <p>In previous years we have found that the Board has effective arrangements in place for financial management and the use of resources. Our 2016/17 annual audit reported that the Board's key financial systems were well designed and operating effectively and that the Board had an effective system of budgetary control.</p> <p>PwC provides the Board's internal audit service. To avoid duplication of effort and to ensure an efficient audit process we will take cognisance of all of the work of internal audit.</p>	<p>During our 2017/18 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> <li>• Whether the Board continues to have arrangements in place to ensure systems of internal control are operating effectively;</li> <li>• Whether the Board can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;</li> <li>• How the Board has assured itself that its financial capacity and skills are appropriate;</li> <li>• Whether the Board has continued to operate effective arrangements for the prevention and detection of fraud and corruption; and</li> <li>• The Board's participation and progress in the National Fraud Initiative. Our work in this area will inform a return to Audit Scotland in February 2018.</li> </ul>



## Governance and transparency

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

Consideration	Our audit approach
<p>The Board has demonstrated appropriate and effective governance arrangements over the term of our appointment to date.</p> <p>During 2016/17 the Board operated with vacancies in Board membership, increasing the risk that committees may not be quorate. In July 2017 two new board members were appointed.</p> <p>The previous Chair of the Board resigned on 18 March 2016 and the Chair of the Audit and Risk Committee was subsequently appointed as Interim Board Chair. The Board expects a permanent chair appointment in the near future.</p> <p>The Board has an established risk management framework in place with ongoing development taking place throughout 2016/17.</p>	<p>We will continue to consider the effectiveness of the Board's governance framework and the extent to which the arrangements and management of the Board and committees comply with relevant good practice guidance.</p> <p>We will consider whether the information provided to the Board and committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>Our work will include consideration of how risk management has been addressed and developed.</p>



## Value for money

**Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.**

Consideration	Our audit approach
<p>In 2016/17 we found that the Board has appropriate performance management arrangements in place that support the achievement of value for money.</p> <p>The LDP sets out local targets, priorities and LDP standards which link to the Scottish Government's national outcomes.</p> <p>The Performance and Planning Committee and the Board monitor performance against the Board's six local targets and priorities every six weeks through a range of reporting.</p>	<p>We will work with the Board to identify and review evidence which demonstrates the achievement of value for money in the use of its resources.</p> <p>We will seek evidence from the Board that outcomes are improving and there is sufficient focus on improvement and the pace of it.</p> <p>Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that the Board may have a direct interest in.</p>

# 6

## Audit outputs, timetable and fees

# Audit Outputs, Timetable and Fees

Audit output	Format	Description	Target date
External audit plan	Report	This report sets out the scope of our audit for 2017/18.	February 2018
Interim management report	Report	If required, this report will summarise any significant findings from our interim work on accounting systems and corporate governance.	April 2018
Independent Auditor's Report	Report	This report will contain our opinions on the true and fair view of the annual accounts and on the regularity of transactions.	June 2018
Annual Report to Board and the Auditor General for Scotland	Report	At the conclusion of each year's audit we will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work on the use of resources, annual accounts and governance arrangements.	June 2018

## Audit outputs

- 69.** Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate. We will endeavour to supply a draft report within three weeks of completion of the fieldwork. We will require formal management responses within two weeks of receipt of the draft report. On occasion these timescales may need to be shortened, e.g. to meet the June 2018 Audit and Risk Committee and certification deadlines.
- 70.** The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

## Audit fee

Composition of the audit fee	
Auditor remuneration – Scott-Moncrieff	£55,750
Pooled costs – Audit Scotland (AS)	£8,060
Audit support costs - AS	£3,360
<b>Total expected fee</b>	<b>£67,170</b>

- 71.** Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the audited body has:
- sound governance arrangements in place and operating effectively throughout the year;
  - prepares comprehensive and accurate unaudited accounts; and
  - meets the agreed timetable for the audit.
- 72.** The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body
- 73.** Audit Scotland advises that fees must be agreed between the auditor and each audited body. Through the fee agreement process the auditor remuneration element of the fee may be varied by up to 10% above the expected level where significant local issues require additional work to be undertaken. In exceptional circumstances higher remuneration can be agreed with the prior agreement of Audit Scotland. For 2017/18 we propose setting the audit fee at the expected level, as set out in the table opposite. This represents an overall decrease of £2,900 (4%) from 2016/17.

74. The audit fee will cover:
- the 2017/18 audit work and outputs described in this plan;
  - attendance at all Audit and Risk Committee meetings;
  - access to advice and information on relevant audit issues; and
  - a contribution towards Audit Scotland's pooled costs.

75. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

### Audit timetable

76. The dates for our interim and final audits have been discussed with the Director of Finance and Deputy Chief Executive. A summary timetable, including audit outputs, is set out below:





# 7

## Appendices

# Appendix 1: Your Audit Team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 17 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.




Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	Scott-Moncrieff 10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

## Extensive public sector audit experience

We have been external auditors within the public sector for over fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE Colleges. We also provide services to charities, schools, as well as private and public limited companies.

We became involved in NHS audits in 1993. Since then, our appointments have covered both external and internal audit with over 20 different NHS bodies.

## Your audit team

	<p><b>Chris Brown</b> Audit Partner <a href="mailto:chris.brown@scott-moncrieff.com">chris.brown@scott-moncrieff.com</a></p> <p>Chris is the audit partner in charge of our audit of the Board as well as most of our other external and internal audit appointments in the health sector. Chris has 25 years' experience in NHS auditing. Chris is always available to provide accounting and other advice to the Board.</p>
	<p><b>Michael Lavender</b> Audit Manager <a href="mailto:michael.lavender@scott-moncrieff.com">michael.lavender@scott-moncrieff.com</a></p> <p>Michael has 9 years' experience of delivering successful, high quality audits across the public sector. He is the public sector representative on the firm's technical committee. This position reflects the deep understanding he has of accounting and auditing standards both in theory and in practice. Michael's technical knowledge allows him to analyse complex issues quickly. He is also able to convey technical subject matter in a clear, concise, understandable way.</p>
	<p><b>Paul Kelly</b> IT Audit Director <a href="mailto:paul.kelly@scott-moncrieff.com">paul.kelly@scott-moncrieff.com</a></p> <p>Paul leads the delivery of computer audit services and has significant experience of delivering a range of services including network infrastructure and security reviews and determining compliance with the requirements of the information security standard, BS7799.</p>

# Appendix 2: Statement of Understanding

## Introduction

The purpose of this Statement of understanding is to clarify the terms of our appointment and the key responsibilities of the National Waiting Times Centre Board (“the Board”) and Scott-Moncrieff.

## Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Board staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statement strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

## Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Board’s responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Board during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Chief Executive.

## Internal audit

It is the responsibility of the Board to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

## Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

## Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

## Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

## Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Chris Brown. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

## Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. We will endeavour to supply a draft report within three weeks of the completion of the fieldwork of each element of work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Management responses should be prepared and provided to us within two weeks of the receipt of the draft report.

These timescales may need to be truncated, e.g. to meet June 2018 Audit and Risk Committee reporting deadline.

### **Agreement of terms**

We shall be grateful if the Board's Audit and Risk Committee would consider and note this Statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



**Scott-Moncrieff**  
business advisers and accountants

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