

# NHS Grampian

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of NHS Grampian and the Auditor General for Scotland

August 2021

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# Key messages

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## 2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 The audited part of the remuneration and staff report, performance report and governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## Financial management and sustainability

- 3 NHS Grampian met all its financial targets and operated within its revised Revenue Resource Limit.
- 4 Budget setting and monitoring processes were revised to reflect additional expenditure of £102m related to Covid19. These costs were fully met by the Scottish Government.
- 5 The board has appropriate financial management arrangements in place and has maintained standards for the prevention and detection of fraud and error.
- 6 In line with Scottish Government guidance, a one-year financial plan for 2021/22 was developed. The pandemic has had a significant impact and this is still being evaluated over the medium/longer term. Recognising the significant workforce challenges in Grampian, an interim workforce plan has been prepared.

## Governance, transparency and value for money

- 7 NHS Grampian has effective arrangements in place that support good governance and accountability. The board adapted quickly to the emergence of the pandemic in respect of its governance arrangements and changes made are set out in the Governance Statement.
- 8 Covid19 has had a major impact on the board's outpatient waiting lists and treatment time guarantees. There has however been significant improvement in children and young people's access to mental health services.
- 9 NHS Grampian has published a remobilisation plan to address backlogs caused by the Covid19 pandemic and how and when services will be restored. Progress reports on the delivery of remobilisation plan objectives and milestones need to be scrutinised on a regular basis.

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# Introduction

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**1.** This report summarises the findings from our 2020/21 audit of NHS Grampian. The scope of our audit was set out in our Annual Audit Plan as presented to the Audit Committee in February 2021. This report comprises the findings from:

- our audit of the board's annual report and accounts
- consideration of the wider dimensions that frame the scope of public audit set out in the [Code of Audit Practice 2016](#).

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

- the audit of NHS Grampian's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the board's key financial systems
- consideration of the four audit dimensions.

**3.** The global coronavirus pandemic has had a considerable impact on NHS Grampian during 2020/21. This has had significant implications not least for the services it delivers but also for the costs of healthcare provision, the need to recruit additional staff to support vaccination and test and protect programmes, and the significant reconfiguration of sites and services required to comply with Covid19 guidelines. Risks related to the pandemic were included in our Annual Audit Plan.

## Adding value through the audit

**4.** We add value to NHS Grampian through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of financial management, financial sustainability, governance and transparency and value for money
- sharing intelligence and good practice through our national reports and good practice guides.

**5.** We aim to help NHS Grampian promote improved standards of governance, better management and decision-making and more effective use of resources.

## Responsibilities and reporting

- 6.** The board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.
- 7.** The board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.
- 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. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
- 10.** This report raises matters from our audit. 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.
- 11.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

## Auditor Independence

- 12.** Auditors appointed by the Auditor General for Scotland must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.
- 13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £197,430, 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 and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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# 1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance.

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## Main judgements

Our audit opinions on the annual accounts are unmodified.

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

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## Our audit opinions on the annual report and accounts are unmodified

**15.** The board approved the annual report and accounts for the year ended 31 March 2021 on 24 August 2021. As reported in the independent auditor's report:

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

## Overall materiality is £22 million

**16.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reaffirmed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure based on outturn figures.	£22m
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 40% of overall materiality.	£8.8m
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1.5% of overall materiality or £250,000 whichever is lower.	£250,000

### Conclusions on audit work to reflect risks of material misstatement

17. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions.

### Significant findings on the annual report and accounts

18. 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.

19. The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Primary care practitioner payments</b></p> <p>NHS National Services Scotland (NSS) administers payments to primary care practitioners on behalf of NHS boards and provides assurances on the operation of this arrangement through a service auditor report.</p> <p>Payments to primary care practitioners are a material and complex area. In Grampian, these amount to around £250m each year.</p>	<p>Assurances provided by shared systems are considered in Part 2 (pages 15-16) including:</p> <ul style="list-style-type: none"> <li>the service auditor report and additional work commissioned by NHS NSS from their internal auditors</li> <li>review by NHS Grampian Finance of the local impact of the exceptions reported by the service auditor.</li> </ul>

Issue	Resolution
<p>Due to Covid, the Scottish Government required that primary care practitioner services affected by lockdown be protected. The circumstances and arrangements for 2020/21 payments were therefore different from the previous year.</p> <p>The service auditor provided qualified opinions on four out five service objectives in 2020/21. This was a similar outcome to the one reported by the service auditor in the previous year.</p> <p>Additional assurances were therefore required to support the board's payments of £250m to Grampian's primary care practitioners.</p>	<p>Audit work in response to the significant risks we identified for the audit (including primary care payments) is summarised in <a href="#">Appendix 2</a>.</p> <p><b>Conclusion:</b> Sufficient assurances were obtained to support primary care practitioner payments as disclosed in the annual report and accounts.</p>
<p><b>2. Untaken annual leave accrual</b></p> <p>The accrual in respect of untaken annual leave has increased from £3.2m to £16.7m. This is a significant increase which has arisen due to the number of staff who did not take their full entitlement in the year. This was largely due to work pressures associated with Covid.</p> <p>We considered the basis of the estimate in accordance with ISA (UK) 540. Our review of the calculation, assumptions and supporting working papers identified a number of significant anomalies including:</p> <ul style="list-style-type: none"> <li>• untaken leave being incorrectly included in the calculation for some staff who had left by 31 March</li> <li>• some staff who started during the year did not have their leave entitlement prorated for the purposes of the calculation.</li> </ul>	<p>The supporting evidence and calculation were reviewed and revised by Finance to rectify the matters raised by the audit. This highlighted other issues which were also rectified as part of the revised calculation. Due to the compensating nature of different aspects of the corrections, the revised accrual has not moved significantly and is now a slightly lower amount of £16.2m.</p> <p>We have considered the revised calculation, assumptions and working papers, and while the impact of Covid has increased the level of uncertainty in the estimate compared with previous years, we have concluded that the accrued amount is reasonable.</p> <p>It has been agreed with the Director of Finance to treat the difference of £0.5m as an uncorrected misstatement. (Refer <a href="#">Appendix 3</a>)</p>
<p><b>3. Personal Protective Equipment (PPE) and testing kits</b></p> <p>Information on the proper accounting treatment and values of Personal Protective Equipment (PPE) and testing kits to be included in NHS board accounts was provided by NHS NSS in June 2021. This guidance was provided after NHS Grampian had submitted its annual report and accounts for audit.</p> <p>NHS NSS had originally provided these items at nil cost. It was subsequently agreed that such expenditure should be included in boards' income and expenditure. NSS is acting as principal in the supply of PPE and the NHS Boards are acting as</p>	<p>The financial statements have been adjusted to reflect an increase in other operating expenditure £14.6m (being £12.1m for supplies from Scottish Government and £2.5m for supplies from UK Government) and an increase in operating income £2.5m. The net amount of £12.1m has been matched by an additional funding allocation from the Scottish Government.</p>

Issue	Resolution
principal as the customer (as they use the PPE rather than pass it on to another party). In relation to testing kits, the Boards are also acting as principal as there is discretion at the local level to request individuals to take a test.	

Source: Audit Scotland

## Misstatements of £1.1m were adjusted in the accounts

**20.** Excluding the adjustment regarding personal protective equipment, a classification misstatement of £1.1m was identified. Locum costs paid through the payroll were incorrectly disclosed as operational expenses rather than staff costs. While there is no impact on net expenditure, this has been amended in the audited accounts.

**21.** The accounts have not been adjusted by management in respect of other misstatements which would have reduced net expenditure by £0.8m and increased net assets by the same amount. (Refer [Appendix 3](#))

**22.** 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.

## The Covid19 pandemic had an impact on our audit

**23.** As a result of the continuing impact of Covid19, the Scottish Government extended the deadline for the submission of health board audited annual report and accounts from 30 June 2021 to 30 September 2021. This mirrored the 2019/20 arrangements.

**24.** The unaudited annual report and accounts were received on 31 May 2021 in line with our agreed audit timetable. The working papers provided to support the accounts were of a good standard and the audit team received good support from finance staff.

**25.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid19 pandemic. Examples include:

- properties have generally been valued by the property valuer on a desktop basis with limited external inspections undertaken
- as was the case last year, we have been unable to inspect title deeds held by the Central Legal Office. This work is normally undertaken centrally on behalf of all auditors but due to access restrictions, it has not been possible this year. While we have relied on work undertaken in previous years, more specific assurances have also been included in our letter of management representation.

**26.** We did not however, consider these to be material and have not modified our audit opinions.

## 2. Financial management

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

### Main judgements

NHS Grampian met all its financial targets and operated within its revised Revenue Resource Limit.

Budget setting and monitoring processes were revised to reflect the additional expenditure of £102m related to Covid19. These costs were fully met by the Scottish Government.

The board had appropriate financial management arrangements in place and have maintained standards for the prevention and detection of fraud and error.

### NHS Grampian operated within its Revenue Resource Limit

**27.** The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. In response to the pandemic throughout 2020/21, additional non-recurring funding allocations were provided by the Scottish Government.

**28.** [Exhibit 3](#) shows that the Board operated within its limits during 2020/21 with a small underspend of £0.77m on its Core Revenue Resource Limit.

### Exhibit 3

#### Performance against resource limits in 2020/21

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	1,278.77	1,278.00	0.77
Non-core revenue resource limit	32.34	32.34	0
<b>Total revenue resource limit</b>	<b>1,311.11</b>	<b>1,310.34</b>	<b>0.77</b>
Core capital resource limit	42.25	42.25	0
Non-core capital resource limit	1.07	1.07	0
<b>Total capital resource limit</b>	<b>43.32</b>	<b>43.32</b>	<b>0</b>
<b>Cash requirement</b>	<b>1,298.12</b>	<b>1,298.12</b>	<b>0</b>

Source: NHS Grampian Annual Report and Accounts 2020/21

**29.** The Scottish Government paused the normal financial planning arrangements under the Scottish Government's Health and Social Care Medium Term Financial Framework due to the pandemic and announced that all health boards would be fully funded in 2020/21.

## IJB outturn and reserves

**30.** As shown in [Exhibit 4](#), all three Grampian Integration Joint Boards (IJBs) reported substantial surpluses this year, resulting in a significant increase in their reserves and group reserves at 31 March 2021. This is in contrast to previous years when two out of the three IJBs had routinely required to secure additional funding contributions from partner bodies at the year end to enable a balanced position to be reported.

### Exhibit 4 IJBs surpluses and reserves

IJB	Surplus	(Deficit)	Reserves	Reserves	Impact	Impact
	2020/21	2019/20	2020/21	2019/20	on group reserves 2020/21	on group reserves 2019/20
	£m	£m	£m	£m	£m	£m
Aberdeen City IJB	15.63	(2.98)	18.24	2.60	9.12	1.30
Aberdeenshire IJB	20.45	(1.29)	20.57	0.12	10.28	0.59
Moray IJB	6.16	(0.07)	6.34	0.19	3.17	0.93

Source: NHS Grampian Annual Report and Accounts 2020/21

**31.** The following factors impacted on 2020/21 outturn positions:

- there was a significant reconfiguration of primary and community services during the year in order to maintain access to critical and protected services whilst operating in accordance with revised Covid19 and clinical guidelines. As a result, some IJB services operated at reduced levels which resulted in savings in areas such as travel costs, temporary staffing and accommodation costs
- additional expenditure was incurred in supporting the Covid19 response. As the Scottish Government agreed to fully fund the additional costs, there was no impact on IJBs' core financial position
- the allocation of funding from Scottish Government in the last quarter of the financial year was earmarked to support Covid19 remobilisation plans, service transformation and other community and primary care expenditure. These amounts are held as earmarked reserves at 31 March 2021 and represent the main reason for the change in the financial results compared with the previous year.

## There was a significant financial impact due to Covid19

**32.** In February 2020, NHS Grampian's draft annual operation plan set an overall budget for 2020/21 of £1,125m. The estimated expenditure requirements were subsequently revised as part of the remobilisation plans submitted to the Scottish Government. This included increased costs for Covid19 related activity and decreased costs due to reduced demand in other areas and loss of income. Estimates were kept under review and reported to the Scottish Government on a regular basis. Including routine allocations and the impact of Covid, NHS Grampian revised its budget to a total expenditure of £1,298m.

**33.** Direct Covid19 related expenditure was tracked using specific account codes in the general ledger and is disclosed in the accounts. Grampian's additional funding from the Scottish Government for Covid19 totalled £102m, all of which was fully spent in the following areas of additional expenditure or reduced income:

- funding to IJBs for services provided by the local authority partners - £28.9m
- additional staff costs to provide increased capacity to support the Covid response - £21.5m
- lost income and unrealised savings £10.1m
- managing backlog of planned care including non-elective demand and winter planning - £8.4m
- personal protection equipment and testing kits - £15m.

**34.** In order to respond to the pandemic quickly, recruitment efforts were accelerated with the help of a range of government sponsored initiatives including fast tracking the hiring of clinical staff returning to the health service and the early employment of student nurses and doctors in the final stages of their training.

**35.** By June 2020, NHS Grampian had successfully employed an additional 111 returning professionals, 746 Medical, Nursing and Midwifery students, 96 junior doctors and 29 fourth year nursing students to support its clinical workforce. A further 176 domestic and portering staff, and 72 Health and Community Social Work assistants were also recruited.

**36.** Whilst the student doctors and nurses returned to training in the autumn, the board recruited further additional staffing during the remainder of the year to support the Covid vaccination and test and protect programmes which were part of the national response to the pandemic.

## Re-prioritised capital investment

**37.** The financial plan includes a five-year capital plan totalling £348.2m, of which approximately 80% relates to the Baird Family Hospital and Anchor Centre (B&A) and National Treatment Centre.

**38.** NHS Grampian's capital investment in 2020/21 amounted to £62.3m, funded by £43.3m capital allocation, revenue budgets of £17.9m and the balance of £1.1m from donations and asset sales. Major investments include purchase of essential equipment £34.1m, B&A £8.1m, backlog maintenance £8.6m, and works to comply with health and safety requirements £4.4m.

**39.** Original capital budgeted for the B&A and the National Treatment Centre amounted to £42.0m and £12.4m respectively. Actual spend was significantly lower and amounted to £8.1m and £1.6m respectively.

**40.** The B&A project slippage was mainly due to the requirement for an independent review of costs as a result of the significant increase in the budget which had occurred between the development of outline and final business case stages. Scottish Government approval for the project was given in February 2020, subject to a design assurance review, to ensure that the project benefitted from the learning from other recently completed health sector capital projects. Formal approval for the project was given by the board and the Scottish Government in the autumn and the project commenced construction in January 2021.

**41.** The National Treatment Centre slippage was initially due to the redeployment of the clinical team to support Covid and then the requirement to undertake a review of the project scope when the initial market returns showed a significant increase in cost compared with the original budget.

**42.** The change in timelines for these major projects created slippage and so NHS Grampian accordingly agreed with the Scottish Government to use a share of this available funding to meet other infrastructure priorities. As a result, a range of critical medical equipment was acquired during the year which advanced the board's equipment replacement programme, enabled investment in new technology and also increased the board's capacity to respond to the pandemic.

## **£6.7 million of efficiency savings were achieved**

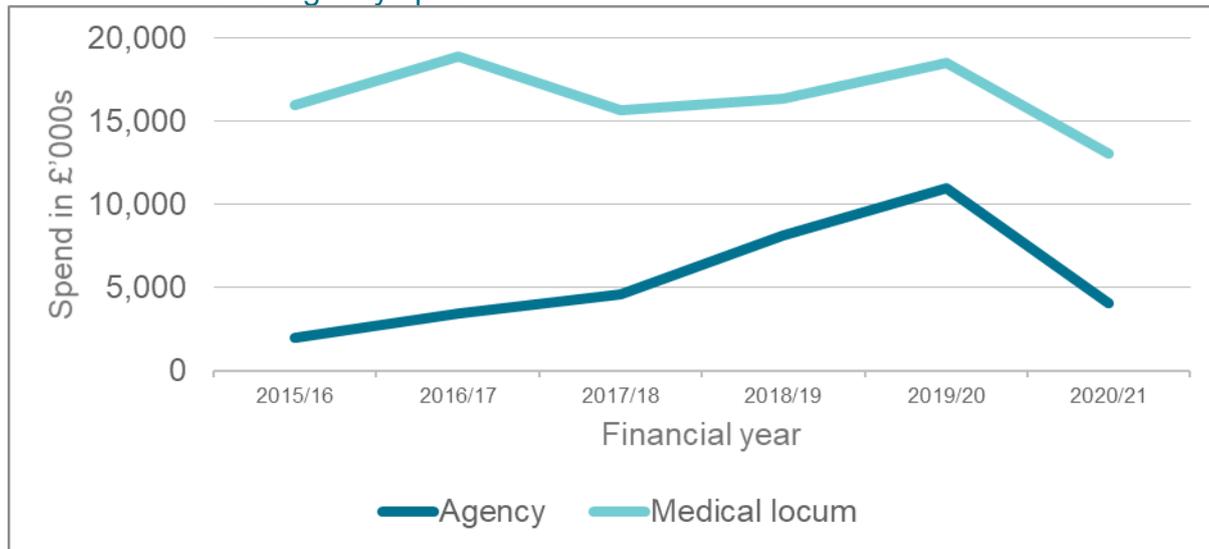
**43.** In its original budget for 2020/21, NHS Grampian was required to make efficiency savings of £17.5m, or 2.0% of its budget. This was split between the board £12.2m and services delegated to the IJBs £5.3m.

**44.** NHS Grampian services achieved savings of £6.7m, with 90% on a recurring basis. This was mainly from a reduction in the use of medical locums and agency nursing staff where services were paused due to Covid. Compared with last year, there has been a 63% reduction in nursing agency spend and a 30% reduction in spend on medical locums. [Exhibit 5](#) shows the spend in the past six years.

**45.** In total terms, savings of £8.2m were not achieved (split board £5.5m and IJB £2.7m). In February 2021, however, the Scottish Government confirmed it would fund unachieved savings in 2020/21.

## Exhibit 5

### Medical locum and agency spend



Source: NHS Scotland Official Workforce Statistics (excluding March 2021)  
(March 2021 Source: NHS Grampian)

## Financial systems of internal control are operating effectively

**46.** Due to remote working, the operation of some internal controls was evidenced differently but overall, there were no major changes to the actual controls as a result of the impact of Covid19. Specific testing was built into our audit plans to ensure the revised arrangements were appropriate. No significant issues were identified from this work.

**47.** We seek to rely on the work of internal audit wherever possible and to avoid duplication. As in previous years, we drew assurance from internal audit's review of key financial controls which was concluded overall as a low risk rated report.

**48.** It is expected that delegated authority levels granted for access to systems are consistent with the delegated authority approved on the board's scheme of delegation. Some differences were found by internal audit and external audit between the PECOS procurement system and the scheme of delegation. Compensating controls are in place including checks made by finance staff when invoices are processed for payment. This matter was therefore not considered to be a major risk. A retrospective review is however underway to identify any further differences and the board has put arrangements in place to ensure consistency in future.

**49.** As outlined in paragraphs 34 to 36, the board increased its capacity to respond to Covid by recruiting additional staff. We undertook focused audit work on the disclosures in the staff report to analyse the increased cost and verify an extended sample of underlying transactions. We were able to gather satisfactory assurances to support the staff report.

## Positive steps taken to increase finance team capacity

**50.** We previously highlighted our concerns in relation to capacity and succession planning within the finance team. Following the retirement of one of the senior team in January 2021, interim arrangements were implemented which continued to operate during the period of the audit. Recruitment for vacant posts has now been completed and a new Head of Financial Services and Accounting came into post this month. Steps are being taken to formalise a wider succession plan for the finance team.

**51.** There are also changes ahead in respect of the administration of the board's Endowment Funds. Following the retirement of the charities' operational manager later this year, the Endowment trustees, as part of wider plans to promote and extend Endowment Fund activities, have agreed to redesign the support function and recruit into three senior roles, a lead officer, a finance and business systems manager and a communication manager.

## Assurances in respect of shared systems

**52.** 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 procures a service audit of the National Single Instance eFinancials service.

**53.** We have considered the assurances provided in the service auditors' assurance reports along with any associated external audit reports. The service auditor assurance report in relation to the National Single Instance eFinancials service was unqualified

**54.** The NHS NSS service auditor's assurance reports in relation to primary care payments and the national IT contract were both qualified in 2019/20 due to areas where there was insufficient documentary evidence of verification and reconciliation checks. While the IT contract service audit does not have a qualified opinion in 2020/21, the service audit report on primary care payments continues to have qualifications.

**55.** NSS supplemented the assurances provided to NHS boards by commissioning their internal auditor to conduct additional financial controls audit work on Covid related payments made to primary care practitioners during the year. In line with Scottish Government guidance, this included protected payments in respect of dental and ophthalmic services which were largely closed during the first period of lockdown and operated under restrictions thereafter. In addition, all primary care practitioners could make claims for additional costs due to Covid. We have been able to draw assurance from this work which provided strong positive conclusions.

**56.** The service auditor gave qualified opinions for four out of the five control objectives in the Practitioner and Counter Fraud Services - Non Covid Payments ISAE 3402 Type II Report. In each case, a number of exceptions were identified by the service auditor. These were duly considered by the NHS Grampian finance team and, overall, it was concluded that the potential risk was low for the following reasons:

- while some controls did not operate as documented e.g. authorisation of changes, there was evidence that a sufficient control had operated
- a lack of validation checks was reported on ad hoc payments made outwith the routine processes However the level of such payments in 2020/21 was not considered to be material.

**57.** We had identified primary care payments as a potential significant risk of material misstatement in our Annual Audit Plan. Audit work undertaken to obtain appropriate assurance is therefore outlined in [Appendix 2](#).

## **Standards of conduct for prevention and detection of fraud and error are appropriate**

**58.** There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. NHS Grampian is responsible for establishing such arrangements and for ensuring that its affairs are managed in accordance with proper standards of conduct.

**59.** There are established procedures for preventing and detecting any breaches of Codes of Conduct including any instances of corruption. Policy reminders are sent to staff and through 'Daily Staff Briefs', and the need to report suspected fraud, theft or corrupt activities is highlighted. Counter fraud progress reports are routinely considered by the Audit Committee.

**60.** National Whistleblowing Standards came into force for all NHS services across Scotland in April 2021 and replaced local policy. This was announced in the Daily Staff Brief and NHS Grampian used the opportunity to encourage staff to report if they had any concerns of public interest.

**61.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Due to competing pressures, NHS Grampian has made limited progress to date in investigating the identified matches.

# 3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

## Main judgements

In line with Scottish Government guidance, NHS Grampian developed a one-year financial plan for 2021/22. The pandemic has had a significant impact and this is still be evaluated over the medium/longer term. Recognising the significant workforce challenges in Grampian, an interim workforce plan has been prepared.

### A one-year financial plan is in place, medium- and long-term financial plans need to be developed as service remobilise

**62.** Revenue funding to NHS Grampian in 2020/21 from the Scottish Government has grown by 9.0% in cash terms compared to 2019/20 ([Exhibit 6](#)) with £102m extra received for Covid19. The current 2021/22 Scottish budget includes a further rise in baseline funding for NHS Grampian of £15.2m (1.5%). In addition, a further £869m of Covid19 related funding will be distributed across NHS Scotland in 2021/22.

### Exhibit 6

Cash and core funding to NHS Grampian has risen



Source: NHS Grampian accounts/ Audit Scotland

**63.** The requirement to produce three-year financial plans as part of the medium-term financial framework has been paused due to the pandemic. NHS boards were however asked to complete a one-year plan for 2021/22.

**64.** NHS Grampian's 2021/22 financial plan shows a break-even position and was approved by the board in June 2021. The plan is based on a range of assumptions which includes the following:

- a 1.5% uplift in base funding (£15.2m) and delivery of a 0.5% cost reduction target (£2.6m) across all areas of NHS Grampian directly provided services in 2021/22
- the base funding uplift is based on a pay award assumption of 1.5% for NHS staff. This has been subsequently adjusted to reflect the negotiated 4% pay settlement for agenda for change staff which will be met by additional Scottish Government funding
- all additional Covid and remobilisation costs incurred by NHS Grampian and the three IJBs, estimated at £60m, are being fully funded by the Scottish Government. [Exhibit 7](#) shows how the additional funding sources for 2021/22 will be spent
- earmarked funding in 2021/22 will be broadly consistent with 2020/21 and previously indicated increases in funding for key areas will be confirmed. This assumes that waiting times improvement funding will be available to support recovery during 2021/22.

## Exhibit 7

### Sources and uses of additional funding for 2021/22

	£m
Baseline funding – uplift	15.2
Less: proposed allocation to IJBs	(5.4)
Other Funding Sources - Recurring	7.9
Other Funding Sources – Non Recurring	4.4
New resources – NHS Board Directed Services	<b>22.1</b>
Less: projected increase in expenditure	(17.6)
Less: new commitments approved	(7.1)
Add: 0.5% Savings Target	2.6
Financial Projection	<b>0.0</b>

Source: NHS Grampian

**65.** The increase in expenditure includes a pay uplift of £11.0m, secondary care drugs £3.9m and the balance relates to non-pay expenditure and capital charges. The new commitments of £7.1m relate to funding earmarked to support cost pressures, service developments and transformational bids. NHS Grampian identified the operational areas where the savings target of £2.6m will come from, of which £1.9m is expected to decrease supplementary staffing costs.

**66.** NHS Grampian's remobilisation plan is supported by detailed financial projections for 2021/22 only. As highlighted in our Annual Audit Report last year, the board should develop long-term financial plans which reflect the revenue consequences of capital investment and capture the costs of service

redesign programmes and the long-term impact of the pandemic. It should also consider the latest Scottish Government plans and requirements for their medium-term financial framework.

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## Recommendation

Existing financial plans are focused on the short term covering the period to 31 March 2022 and there is uncertainty about the longer-term financial position. As the board continues to remobilise services and prioritise patient waiting lists, a range of scenarios and options should be developed to inform longer term financial planning.

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### Financial efficiency plans were paused due to the pandemic

**67.** Prior to the pandemic, NHS Grampian's forecasts identified the need to achieve efficiency savings of £21.6m by 2021/22 on a recurring basis, most of which had still to be identified.

**68.** While the Scottish Government has provided significant additional funding to NHS Grampian in 2020/21 and 2021/22, this has largely been non-recurring funding and so the need to resume service redesign programmes is likely over the medium term.

**69.** NHS Grampian has had a good track record in recent years of achieving recurring savings and there is ongoing work being undertaken to develop further proposals e.g. reviews of temporary staffing costs and pathways of care, and maximising the use of technology.

### An interim workforce plan has been developed to support remobilisation

**70.** Due to the pandemic, Scottish Government agreed with workforce planning leads and HR Directors to defer the development of three-year integrated workforce plans from April 2021 to March 2022. This work coincides and will align with the development of NHS Grampian's new Strategic Plan for 2022-28 and the refresh of its Clinical Strategy which currently covers 2016-21.

**71.** Recognising that the healthcare landscape has changed due to the pandemic, an Interim Workforce Plan 2021-22 has been submitted to the Scottish Government and this is intended to act as a bridge with the existing remobilisation plan. The workforce plan comprehensively brings together a detailed narrative of the challenges and issues affecting the workforce in the short to medium term, not only as a result of Covid but also due to changes in legislation and other developments in the sector. It provides a solid foundation to support conversations about the future shape of the workforce and the detailed needs of individual services.

**72.** During 2020/21, the board's annualised staff head count numbers increased by approximately 1,000 or 10%. Much of the increase was to support the response to the pandemic. Initially, for example, nursing and medical students were recruited on a temporary basis to build additional capacity in the system. Later, there was a need to recruit staff into new posts as vaccination and test and protect programmes became new requirements. It is unclear at this stage what the longer term staffing needs will be to support the local population in living with Covid.

**73.** In recent years, the board has depended on the use of locum and agency staff to provide some services safely and it faces significant challenges in filling vacancies in a number of areas such as mental health services where there are vacancies across consultants, nurses and psychologists. With a growing demand for such services, this is an area of increasing concern.

**74.** While filling vacancies across staff groups has been less of an issue during the pandemic because many services were paused or restricted, the underlying shortage in some staff groups is likely to become more challenging again as services remobilise and steps are taken to address patient waiting lists which escalated over the last year as a result of Covid.

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## Recommendation

**System wide planning is required with partners to increase capacity and transform services whilst ensuring that workforce arrangements are sustainable.**

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**75.** NHS Grampian's current annual staff turnover rate is 10.5%. Various actions are being pursued to improve the sustainability of its workforce. These include improved job planning for consultants and speciality doctors, developing educational and transformational opportunities, investing in improved recruitment processes and offering employability support for its ageing workforce. It is also intended that there will be an increased focus on staff wellbeing, having learnt lessons from the experiences of the last 18 months.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information.

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## Main judgements

NHS Grampian has effective arrangements in place that support good governance and accountability. The board adapted quickly to the emergence of the pandemic in respect of its governance arrangements and the changes made are set out in the Governance Statement.

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### Governance arrangements were appropriate throughout the Covid19 pandemic

**76.** The impact of Covid19 from March 2020 has been set out in the Governance Statement in NHS Grampian's annual report and accounts. We reported in last year's annual report on the revised governance arrangements introduced by the board at the first lockdown. These included:

- revisions to the board's standing orders including suspension of meetings in public. Meeting minutes and papers did nonetheless continue to be made available publicly via the NHS Grampian website
- revisions to governance arrangements and frequency of committee meetings to ensure the board was informed and assured on key decisions made within the Gold, Silver and Bronze structure which was used as a framework for directing operational activities.

**77.** Internal Audit's review of Covid governance and decision making confirmed that NHS Grampian adapted quickly to the emergence of the pandemic in respect of its governance arrangements, and the ongoing challenges this presented in a rapidly evolving environment. In particular, the following good practices were identified:

- there was a clear process for communicating key decisions made to staff and relevant stakeholders
- the board complied with various Scottish Government reporting requirements
- meeting minutes were retained for all key governance committees and key decisions taken were clearly signposted. Regular reports were submitted which were clear and contained sufficient detail.

**78.** The board's Governance Framework, which was kept under regular review during the year, was approved by the board on 2 April 2020. Further reviews were undertaken in June 2020, February 2021 and June 2021.

**79.** Overall, NHS Grampian has appropriate governance arrangements in place and kept its governance framework under regular review during the year. The internal audit review however found inconsistencies between Gold, Silver and Bronze command in the recording of the rationale to support decisions, and the Major Infectious Disease Plan, which was in the process of being signed off in early 2020, had yet to be approved when the internal audit report was concluded.

## **Openness and transparency**

**80.** Openness and transparency is how an organisation operates and makes decisions and ensures that the public have access to understandable, relevant and timely information about board decisions and how it is using resources such as money, people and assets.

**81.** As highlighted by Internal Audit, there was a clear process for communicating key decisions made to staff and relevant stakeholders. This was outlined in the Covid19 Communication Plan. Communication channels included a dedicated Covid19 website, video and other media releases, and daily briefs.

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# 5. Value for money

Using resources effectively and continually improving services.

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## Main judgements

Covid19 has had a major impact on NHS Grampian's outpatient waiting lists and treatment time guarantees. There has however been significant improvement in children and young people's access to mental health services.

NHS Grampian has published a remobilisation plan to address backlogs caused by the Covid19 pandemic and how and when services will be restored. Progress reports on the delivery of remobilisation plan objectives and milestones should be scrutinised on a regular basis.

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## NHS Grampian's remobilisation plan includes actions to address backlogs affected by the pandemic

**82.** The Scottish Government requested NHS boards to produce and regularly revise remobilisation plans outlining plans for the restoration of normal health services.

**83.** NHS Grampian submitted its Remobilisation Plan on 31 July 2020 covering the period to 31 March 2021. This plan built on the previous plan dated May 2020 and the initial remobilisation plan from March 2020. It sets out the response to living with Covid19, the immediate challenges of winter and the ambitions to meet the board's strategic objectives as outlined in its Clinical Strategy.

**84.** It was agreed that the Performance Governance Committee would receive regular reports to scrutinise progress against remobilisation plan milestones and seek assurance on the implementation of the actions required to support the core objectives. The only progress report to date was considered by the committee in December 2020. With reference to 161 agreed milestones, it was reported that 30 were complete, 71 on track, 45 with minor issues and 15 were delayed.

**85.** NHS Grampian submitted a Remobilisation Plan for 2021/22 in March 2021, a summarised version of which was approved by the board in June 2021. The plan focuses on the following areas:

- continue to minimise the spread of infection and impact of Covid19
- support staff to recuperate, recover and maintain good health and wellbeing

- gradually build up services and work together to reduce the waiting times for services which had been temporarily paused or reduced to deal with the Covid19.

**86.** The remobilisation plan sets out a series of planned actions to address the backlog in patient waiting times caused by Covid19. These include:

- use of NHS Grampian's well-established clinical prioritisation system to identify urgent and priority patients and ensure that patients are seen according to clinical need
- capacity building being targeted at urgent and priority patients and to address long waiting patients
- in relation to wider cross-system clinical and protected services, the development of a number of critical escalation frameworks for areas with shared risk.

**87.** The remobilisation plan has been prepared and updated in line with Scottish Government requirements. However, more regular progress reporting is required to hold officers to account and ensure the timely and successful delivery of milestones and objectives.

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## Recommendation

Performance reporting arrangements should be reviewed to ensure there is transparent reporting and regular scrutiny of remobilisation measures being taken to manage waiting lists exacerbated by Covid.

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## Performance monitoring arrangements have been adapted to reflect the Clinical Prioritisation Framework.

**88.** In November 2020 the Scottish Government published the Framework for Clinical Prioritisation providing guidance for prioritising elective care whilst ensuring appropriate Covid19 safety and priority measures are in place. While the duties under the Patient Rights (Scotland) Act 2011 still apply, it is expected that the framework is the primary tool for monitoring service performance during the pandemic.

**89.** NHS Grampian has adapted their internal performance reporting to reflect this and performance reports have been considered by the board regularly throughout 2020/21. Performance against the framework is published as part of agenda papers of board meetings.

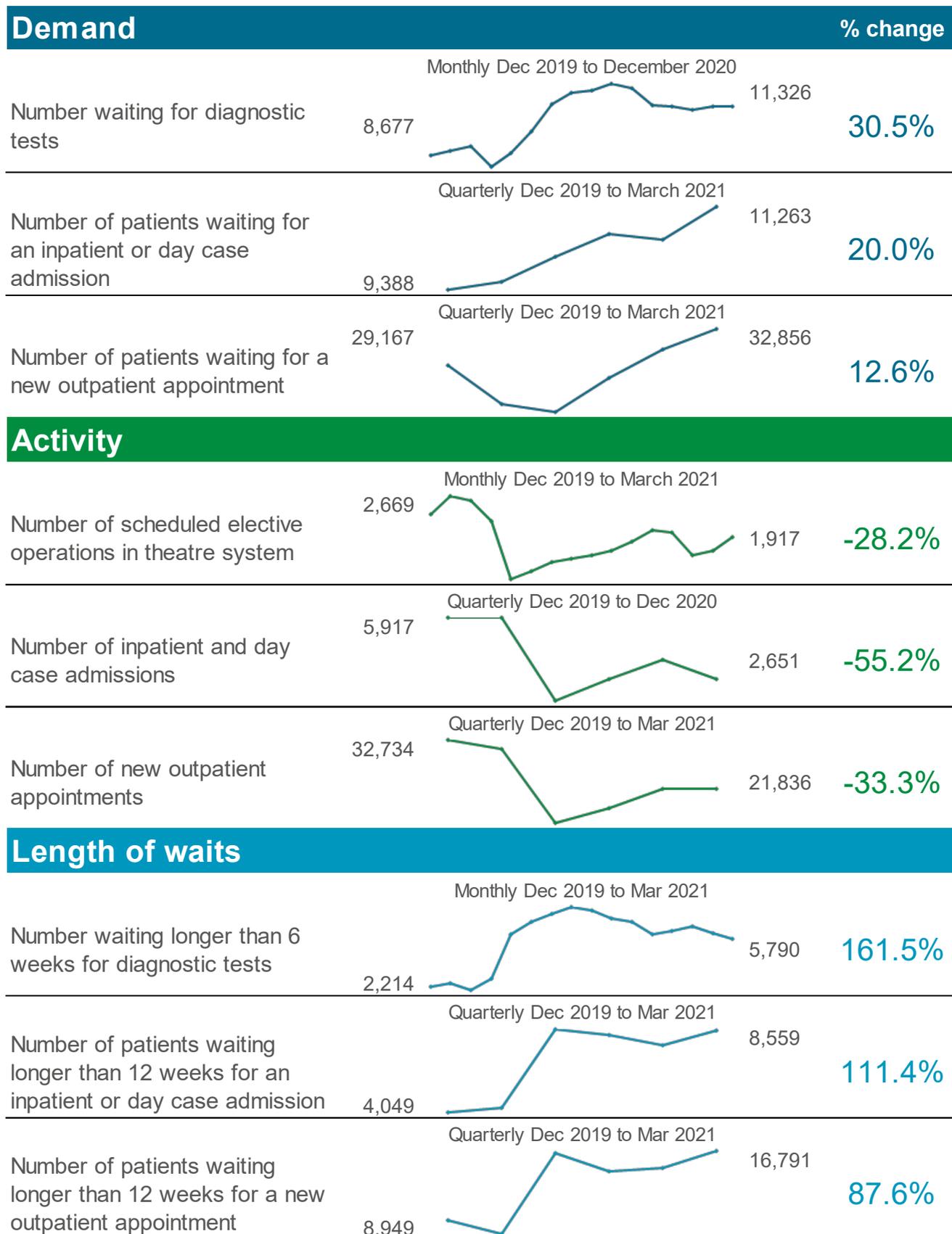
## Service performance against national waiting time standards continues to be publicly reported

**90.** While not currently the board's primary focus for performance monitoring, performance against national waiting time standards provides context for the scale of the impact of the pandemic on the delivery of health services.

[Exhibit 8](#) demonstrates how activity and waiting times have been impacted by Covid19 and [Exhibit 9](#) provides a comparison of current waiting times compared to the previous year.

## Exhibit 8

### Trends in demand and activity in acute services



Source: Public Health Scotland

## Exhibit 9

### Impact of Covid19 on national waiting time standards

Measure	Performance %		
	March 2019	March 2020	December 2020
<b>18 Weeks Referral to Treatment (RTT)</b> Patients starting treatment within 18 weeks of referral	62%	70% <sup>1</sup>	Not available
<b>Patient Treatment Time Guarantee (TTG)</b> Inpatients or day case that were seen within 12 weeks	47%	59%	50%
<b>Outpatients waiting less than 12 weeks</b> Patients on the waiting list at month end who have been waiting less than 12 months since referral at month end	65% <sup>1</sup>	73% <sup>1</sup>	52%
<b>A &amp; E attendees seen within 4 hours</b> A & E attendees who were admitted, transferred or discharged within 4 hours	95%	92%	89% <sup>2</sup>
<b>Cancer 31 Days RTT</b> Patients who started cancer treatment within 31 days of decision to treat	94%	95%	99%
<b>Cancer 62 Day RTT</b> Patients who started treatment within 62 days of referral	76%	83%	87%
<b>Drug and Alcohol 21 days</b> Patients that started treatment within 21 days	92%	92%	94%
<b>CAMHS Waiting Times</b> Patients seen within 18 weeks of referral	43%	78%	94%

Source: Public Health Scotland

Notes: 1 – From 2019/20 Annual Audit Report as figure not available on Public Health Scotland's website  
2 – As at 31 March 2021

#### 91. The following key points relate to the drop in performance shown in [Exhibit 9](#):

- 4 hours A&E standard – reduced bed capacity at Aberdeen Royal Infirmary, capacity pressures in community hospitals and care homes restricted the flow out of main hospital sites. Additional measures have been implemented to improve flow.
- Treatment Time Guarantee and outpatient waiting times - During November and December 2020, Scottish Government set out the priorities for NHS boards and the arrangements for decision making should boards need to pause resumed services or redeploy capacity to deal with Covid

resurgence or manage other winter pressures. Patients on the TTG list have received an explanatory letter with an apology for the delay and highlighting escalation routes for them to raise concerns.

- Patients waiting over 52 weeks have been contacted by the board and invited to feedback on the quality of life impact on them. This will assist the board with its remobilisation planning.

**92.** Cancer, drug and alcohol, and child adolescent mental health services (CAMHS) waiting times performance have improved in the past three years. While the cancer 31 day standard is above the 95% target and the 62 day standard is better than prior years, fewer cancers have been detected and treated during 2020/21 compared to previous years.

**93.** As highlighted in the Performance Report section of the Annual Report and Accounts for 2020/21, activity levels in all hospital sites have fluctuated significantly. During the first wave, NHS boards were directed to pause all but critical and protected services and increase capacity to meet the projected impact of Covid19. The requirement to adapt services to respond to Covid19 resulted in increases in the waiting list sizes for both new outpatient appointments and treatment.

**94.** By December 2020, boards were required to revise plans to respond to the second wave of Covid19 cases, whilst maintaining access for normal winter pressures and planned care based on clinical priority.

**95.** Through whole system redesign, protected beds were established for the highest priority surgical patients. As a result, and a reducing bed requirement for Covid19 patients, activity across all elective care classifications has increased since February 2021.

**96.** The Scottish Government set up the 'NHS is Open' campaign to encourage people with urgent symptoms to continue to seek help. There were regular reminders that hospitals were open and urgent care was still available. There was a significant drop in A&E attendances in April 2020 (first wave) but these rose as Covid19 admissions reduced and dropped again in January 2021 (second wave) as Covid19 admissions went up again. This can be attributed to people not presenting themselves to A&E during the heights of the pandemic.

## Grampian is using the experiences of Covid19 to transform services

**97.** [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. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**98.** NHS Grampian's System Leadership Team (SLT) explored best practices and learning that have emerged from its emergency response to Covid19. A plan was developed for how it can deliver the best health and care services

sustainably to the population in Grampian, alongside the ongoing risk of Covid19 as well as other seasonal pressures.

**99.** In early July 2020, the SLT began work to develop a new model for Grampian. Pathways of care throughout the whole system will be reviewed. Three engagement events took place in August 2020, at which almost 300 members of staff and partners contributed and participated across the system. For example, to reduce hospital admissions, various operational pathways of care that flow in and out of the hospital will be reviewed, to identify the gaps and opportunities to improve quality.

**100.** The focus going forward will be to further embed the Home First principles. The key principles of Home First are:

- maintain patients safely at home
- avoid unnecessary hospital attendance or admission
- support early discharge back home.

**101.** Other priorities include the development and implementation of the Hospital at Home model, the frailty pathway in Aberdeenshire and rolling out Discharge to Assess, a reablement focused pathway in Moray.

## National performance audit reports

**102.** Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland.

**103.** The NHS Overview Report on the 2020/21 audits will include a review of the response to the Covid19 pandemic by the NHS in Scotland along with a report on financial and operational performance. This is due to be published early 2022.

# Appendix 1. Action plan 2020/21

## 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Longer term financial planning</b></p> <p>Responding to the pandemic has resulted in significant additional expenditure but break-even has been achieved because of the additional funding provided by the Scottish Government to support the response to Covid19.</p> <p>Existing financial plans are focused on the short term covering the period to 31 March 2022 and there is uncertainty about the longer-term financial position.</p>	<p>As the board continues to remobilise services and prioritise patient waiting lists, a range of scenarios and options should be developed to inform longer term financial plans.</p>	<p>A medium term financial framework will be developed to support the revised NHS Grampian strategy and will set out the financial framework to guide future decisions on system change and transformation and allocation of resources</p> <p>Director of Finance</p> <p>December 2021</p>
<p><b>2. Workforce planning</b></p> <p>The board has needed to rely on locum and agency staff in the past to manage vacancies and to ensure that services are provided safely.</p>	<p>System wide planning is required with partners to increase capacity and transform services whilst ensuring that workforce arrangements are sustainable</p>	<p>The development of the workforce plan will inform the board's future workforce requirements and will be focused on ensuring that sustainable capacity is available to address both the immediate service challenges and the future strategic priorities for the board. The workforce plan, similar to the medium term financial framework, will support the revised NHS Grampian strategy.</p> <p>Director of People and Culture</p> <p>March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Performance</b></p> <p>The board is facing significant operational challenges as it takes steps to remobilise services and recover from the impact of Covid.</p>	<p>Performance reporting arrangements should be reviewed to ensure there is transparent reporting and regular scrutiny of the measures being taken to manage waiting lists which have been exacerbated by Covid.</p>	<p>A review is being undertaken of our performance reporting to ensure that we have the appropriate framework and data to monitor progress against the actions set out initially within the board's remobilisation plan and thereafter the board's revised strategy and delivery plan.</p> <p>Director of Finance December 2021</p>

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# Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 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 financial statements and those relating to our wider responsibility under the Code of Audit Practice 2016.

## Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p> <p>This risk includes the potential for management to influence the results in the financial statements through estimates and judgements. In response to Covid19, some internal controls were amended to maintain processing levels and, in some instances, this may have increased the opportunity for management override.</p>	<p>Detailed testing of journal entries</p> <p>Reviewed accounting estimates e.g. asset values, provisions</p> <p>Focused testing of accruals and prepayments</p> <p>Cut off testing procedures on income and expenditure transactions at year-end</p> <p>Reviewed assumptions supporting Covid19 funding claims and evidence that associated grant conditions have been met</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p><b>Results:</b> We did not identify any incidents of management override of controls.</p> <p><b>Conclusion:</b> Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>2. Risk of fraud over income and expenditure</b></p> <p>As set out in ISA (UK) 240, there is a presumed risk of fraud in the recognition of income. In addition, as most public-sector bodies are net expenditure bodies, there is also a risk of fraud in expenditure.</p> <p>The extent and complexity of income and expenditure mean that there is an inherent risk of material misstatement due to fraud.</p>	<p>Analytical procedures on income streams and expenditure transactions</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk</p> <p>Reliance on Internal Audit's review of key financial controls under ISA 610</p> <p>Cut off testing procedures on income and expenditure transactions at year-end</p> <p>Reviewed board's National Fraud Initiative (NFI) matches investigation</p> <p>Monitoring of frauds and false exemptions reported.</p>	<p><b>Results:</b> No issues found.</p> <p><b>Conclusion:</b> Satisfactory</p>
<p><b>3. Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas such as revaluation of land and buildings and clinical negligence provisions.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Reliance on 'the work of an expert' under ISA 500 in respect of the professional valuer</p> <p>Reviewed accounting treatment of property revaluation and ensured it was in accordance with the requirements of FReM</p> <p>Reviewed reasonableness of total increase or decrease in revalued amounts against valuation report</p> <p>Reviewed the basis and calculation of accruals and provisions for bias and subjectivity including reasonableness of methodology and consistency with prior years and guidance</p> <p>Reviewed Central Legal Office (CLO) reports covering clinical negligence claims</p> <p>Reviewed CLO as a management expert (reliance on central review).</p>	<p><b>Results:</b> The District Valuer's report highlighted that properties have generally been valued on a desktop basis with limited external only inspections undertaken. This was considered reasonable because a valuation undertaken without physical inspection remains compliant with Red Book Standards.</p> <p>We reviewed estimates and judgments in other areas and did not identify any issues.</p> <p><b>Conclusion:</b> Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>4. Potential misstatement of payments to primary care contractors</b></p> <p>Payments to primary care contractors are a material and complex account area with payments totalling around £250m each year. Some payment verification activities were suspended as a result of Covid19 and interim arrangements were put in place, based on past averages, to ensure payments continued to be made to contractors.</p> <p>NHS National Services Scotland (NSS) provide payment services on behalf of NHS Grampian in relation to independent primary care contractors. The service auditor issued qualified audit opinions in 2019/20 across the four primary care payment streams which reflected an absence of evidence to confirm the operation of a range of expected controls.</p> <p>There is a risk of misstatement in the annual accounts due to the use of some estimates, reduced verification checks and uncertainty about the extent of improvement made by NHS NSS in responding to the weaknesses reported by the service auditor in June 2020.</p>	<p>Reviewed progress reports to the Audit Committee on primary care action plans</p> <p>Considered 2020/21 service auditor's report covering the Practitioners Services Division under ISA 402 and the impact of reported exceptions on NHS Grampian's accounts</p> <p>Reviewed the level of protected primary care payments made during the pandemic and ensured they were in line with Scottish Government guidance</p> <p>Reviewed the additional assurance provided by NSS internal audit in respect of Covid related payments to primary care practitioners</p> <p>Reviewed the extent of payment verification checks in the year</p> <p>Reviewed the general medical global sum calculation and compared with the previous year</p> <p>Verified year end reconciliations (Form 12 with ledger).</p>	<p><b>Results:</b> Sufficient assurances were obtained to support primary care practitioner payments as disclosed in the annual report and accounts.</p> <p><b>Conclusion:</b> Satisfactory</p>
<p><b>5. Disclosures in the annual report and accounts</b></p> <p>Additional disclosures and commentary in the annual report and accounts may need to be considered to reflect the impact of Covid19</p>	<p>Ensured format and content of Performance Report and Governance Statement comply with the NHS Accounting Manual and other relevant guidance and are consistent with supporting</p>	<p><b>Results:</b> Suggested amendments to the performance report shared with Finance and reflected in the audited accounts.</p> <p><b>Conclusion:</b> Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>on the board's financial position and performance.</p> <p>There is a risk that the required Covid19 information is not properly disclosed and accounted for.</p>	<p>evidence/auditor's cumulative audit knowledge.</p>	
<p><b>6. Completeness of the Remuneration Report</b></p> <p>The changes to senior leadership this year present a risk that relevant persons are not included in the Remuneration Report in line with FReM.</p>	<p>Assessed completeness of relevant persons included in the Remuneration Report against guidance</p> <p>Agreed remuneration and pension amounts and other relevant disclosures to supporting evidence.</p>	<p><b>Results:</b> No issues found</p> <p><b>Conclusion:</b> Satisfactory</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>7. Financial sustainability</b></p> <p>The financial impact of the pandemic has resulted in reduced income and increased costs such as higher staff costs to cover the delivery of services.</p> <p>While the board is forecasting financial balance by the year end, this is based on the following assumptions:</p> <ul style="list-style-type: none"> <li>all Covid related costs including unmet savings targets and lost income will be fully funded by the Scottish Government.</li> <li>all three integration authorities will break even.</li> </ul> <p>There is a risk that financial balance will not be achieved.</p>	<p>Reviewed finance reports going up to the Leadership Team, Committee and Board</p> <p>Reviewed minutes of meetings where Finance position has been discussed</p> <p>Monitored progress with delivery of efficiency savings and financial targets</p> <p>Held regular discussions with senior officers to understand how the board is managing cost pressures</p> <p>Reviewed financial plan for 2021/22 and assessed board's progress in developing long-term financial plans.</p>	<p><b>Results:</b> Refer part 2 of this report.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>8. Finance capacity</b></p> <p>Senior Finance officers have recently retired or are close to retirement.</p> <p>There is a risk that the Finance Department will not have sufficient capacity and the necessary experience, knowledge and skills to perform its functions. This may lead to weakening of key financial controls and failure to provide its services in a timely, effective and efficient manner.</p>	<p>Held regular discussions with senior Finance officers to assess progress with the Finance Department's succession planning processes</p> <p>Tested key controls and reported any weaknesses found.</p>	<p><b>Results:</b> Refer part 2 of this report.</p>
<p><b>9. Revised governance arrangements</b></p> <p>In common with other public bodies, NHS Grampian made significant changes to its governance arrangements in response to the pandemic.</p> <p>There is a risk that the level of scrutiny and challenge is not effective and that decision making is not sufficiently transparent.</p>	<p>Used Internal Audit's report on the revised governance arrangements to inform our assessment</p> <p>Reviewed progress reports to the board to assess the board's effectiveness in implementing and achieving its Remobilisation Plans objectives and key milestones including the robustness and transparency of reporting of progress to members, staff and the wider public</p> <p>Assessed how effective the board is in responding to and managing emerging risks and opportunities.</p>	<p><b>Results:</b> Refer part 4 of this report.</p>
<p><b>10. Performance against targets</b></p> <p>The pandemic has had a substantial impact on performance measures, particularly for services which have been suspended, are operating at a reduced level or have had to adapt to new ways of working.</p> <p>There is a risk that the board will not have appropriate capacity to remobilise</p>	<p>Reviewed performance reporting to the Board and Performance Governance Committee to assess the response by management and the impact of the board's improvement plans</p>	<p><b>Results:</b> Refer part 5 of this report.</p>

Audit risk	Assurance procedure	Results and conclusions
services and will fail to meet its desired outcomes for the people of Grampian. This may result in significant exposure to both clinical and reputational risks.		

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# Appendix 3. Summary of uncorrected misstatements

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these misstatements are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Account areas	Consolidated Statement of Comprehensive Net Expenditure		Net Assets/ Consolidated Statement of Financial Position	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Untaken annual leave – overstatement of accrual		(500)	500	
2. Share of proceeds of Woolmanhill site to Robert Gordon University – overstatement of accrual		(273)	273	
3. Misstatement in the classification of short term and long terms debtors - overstatement of short-term and understatement of long-term (re road traffic accident income accrual)			294	(294)
<b>Total</b>		<b>(773)</b>	<b>1,067</b>	<b>(294)</b>
<b>Net Impact</b>		<b>(773)</b>	<b>773</b>	

# NHS Grampian

## 2020/21 Annual Audit Report

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