



National Waiting Times Centre Board

2020/21 Annual Audit Report to the Board and the Auditor General for Scotland

July 2021



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Key messages



This report concludes our audit of the National Waiting Times Centre Board for 2020/21.

This section summarises the key findings and conclusions from our audit.



Financial statements audit

<p>Audit opinion</p>	<p>Our independent auditor’s report includes:</p> <ul style="list-style-type: none"> • An unqualified opinion on the financial statements; • An unqualified opinion on regularity; and • An unqualified opinion on other prescribed matters. <p>We have drawn attention to Note 1 Accounting policies, 28. ‘Key sources of judgement and estimation uncertainty’ of the financial statements, which describes the effects of a material uncertainty, caused by COVID-19, on the property valuation of the hotel. Our opinion is not modified in respect of this matter.</p>
<p>Key findings on audit risks and other matters</p>	<p>COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. We are pleased to report those risks did not materialise.</p> <p>The Board had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.</p>
<p>Audit adjustments</p>	<p>An audit adjustment was made relating to the estimated costs and funding implications of personal protective equipment nationally procured through NSS during 2020/21.</p> <p>All unadjusted differences are collectively and individually immaterial.</p>
<p>Accounting systems and internal controls</p>	<p>We have applied our risk based methodology to the audit. This approach requires us to document, evaluate and assess the Board’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit

 <p>Financial Sustainability</p>	<p>Auditor judgement</p>	
<p>The Board faces challenges in achieving a balanced financial position in 2021/22 in view of the planned service developments combined with the ongoing impact of COVID-19. The Board's ability to develop and maintain services in a sustainable manner remains at risk and requires continuing careful management and oversight.</p>		
 <p>Financial Management</p>	<p>Auditor judgement</p>	
<p>The Board has effective arrangements in place for financial management and the use of resources.</p>		
 <p>Governance & Transparency</p>	<p>Auditor judgement</p>	
<p>Governance arrangements at the Board were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date. Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct.</p>		
 <p>Value for Money</p>	<p>Auditor judgement</p>	
<p>The Board has appropriate performance management processes in place that support the achievement of value for money. The Board has successfully supported NHS Scotland in its response to the COVID-19 pandemic.</p>		

Definition

Our wider scope audit involves consideration of the Board's arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence



Scope

1. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit. The core elements of our work include:
 - an audit of the 2020/21 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring the Board’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

2. The Board is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit 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.
3. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
4. We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

5. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence.

Openness and transparency

10. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Adding value through the audit

8. All of our clients 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.

Feedback

9. 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 any member of your audit team.

Financial statements audit

The Board's annual report and accounts are a principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Overall conclusion

11. The annual report and accounts were considered by the Audit and Risk Committee on 20 July 2021 and approved by the Board on 29 July 2021. Our independent auditor’s report is unqualified.
12. We have drawn attention in our independent auditor’s report to the effects of a material uncertainty, caused by COVID-19, on the property values associated with the Hotel. Our opinion is not modified in respect of this matter.

Timescales/Administrative processes

13. In Scotland, the administrative deadline for the submission of audited accounts of health boards and agencies is usually 30 June but, as was the position in 2019/20, this has been extended by three months to 30

September. The legislative deadline for laying accounts in the Scottish Parliament remains 31 December.

14. The Board elected to continue with the original timescales (i.e. 30 June); however, due to a national accounting issue relating to personal protective equipment (paragraph 22), the approval of the annual report and accounts was postponed by one month, which is still within the deadlines noted above.
15. We worked closely with management throughout the audit to put us in the best position to adhere to this timetable.
16. Our thanks go to staff at the Board for their assistance with our work, particularly given the current environment we are working in.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	<p>We have issued unqualified audit opinions.</p> <p>We have drawn attention in our independent auditor’s report to the effects of a material uncertainty, caused by COVID-19, on the property values. Our opinion is not modified in respect of this matter.</p>

Opinion	Basis for opinion	Conclusions
<p>Going concern basis of accounting</p>	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Board's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Board.</p>	<p>We reviewed the financial forecasts for 2021/22. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>
<p>Regularity</p>	<p>We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.</p>	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.</p>
<p>Matters prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • Remuneration and Staff Report • Performance Report • Governance Statement 	<p>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.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the audited part of the remuneration and staff report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers. • the information given in the performance report has been

Opinion	Basis for opinion	Conclusions
	<p>been prepared in accordance with directions from Scottish Ministers.</p>	<p>prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements.</p> <ul style="list-style-type: none"> the information given in the Governance Statement has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers and is consistent with the financial statements.

<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit; or there has been a failure to achieve a prescribed financial objective. 	<p>We have no matters to report.</p>
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An overview of the scope of our audit

17. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in February 2021. The plan explained that 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. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.

18. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures

were then designed to mitigate these risks.

19. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas

20. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
21. The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Significant risk areas

1. Management override

Significant risk description

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 (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.

Audit procedures

- Review of the Board's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risk areas

2. Revenue recognition

Significant risk description Under ISA (UK) 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 and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.

Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for the Board's revenue resource allocation from Scottish Government. Our conclusion remained the same throughout the audit.

We have gained reasonable and appropriate assurance that this area is free from material misstatement, however we have raised a management action point to revise the current approach to how research and development income which is pertinent to commercial contracts is recognised in line with IFRS 15. We do not deem this to be material to the financial statements and have noted an unadjusted difference in relation to this (Appendix 3).

Action plan point 1

Significant risk areas

3. Expenditure recognition

Significant risk description As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of the Board's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Significant risk areas

4. Asset valuations (significant accounting estimate)

Significant risk description

The Board, in accordance with its accounting policies, obtains an external valuation of all land and buildings assets on an annual basis. The valuations are carried out in accordance with the RICS Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

The valuation provided by the valuer as at 31 March 2020 recognised a material uncertainty, indicating that lower confidence could be attached to the valuation than otherwise would be the case given the unprecedented impact of COVID-19 on global markets. We included an emphasis of matter paragraph in our independent auditor's report on the 2019/20 financial statements to draw attention to this.

During 2020, the Board valuers have been on site to value Phase One of the Expansion Programme and Cath Lab 5 works. This valuation exercise however will not be finalised until the final account for Phase One is received.

There is a risk of material misstatement to the financial statements relating to asset valuations.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Boards are required to revalue properties with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. The Board, in accordance with its accounting policies, obtains an external valuation of land and buildings on an annual basis.

Audit procedures

- Consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence.
- Review the valuation report and consider the assumptions used by the external valuer against external sources of evidence.
- Consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Significant risk areas

Key observations

We have gained assurance that the carrying value of the Board's estate in the financial statements is in line with the valuer's report received from the external valuers (Avison Young). In accordance with ISA (UK) 500 "Audit Evidence" we have considered the competence, capability and objectivity of the professional valuer and did not identify any items which gave us cause for concern over the suitability of the valuer. We confirmed that the basis of valuation for assets is appropriate based on their usage and reviewed the reasonableness of valuation assumptions applied. Overall, the valuation movements were in line with our expectation.

In the current year, the valuation report provides assurance that, whilst the pandemic continues to affect economies and global markets, property markets have started to function again and, as a result, the valuation as at 31 March 2021 is not subject to a material valuation uncertainty; with the exception of the Hotels sector. The valuation of the Golden Jubilee Conference Hotel which comprises part of the asset is therefore reported as being subject to 'material valuation uncertainty'.

This is consistent with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS).

The Board has disclosed this uncertainty within both the Performance Report and Accounting Policies (Significant Accounting Estimates and Judgements). We encouraged the Board to quantify the uncertainty by way of sensitivity analysis disclosure, but this information was not available and so was not included in the financial statements.

We concluded that the material uncertainty over the property valuations is of such importance that it is fundamental to users' understanding of the financial statements. Based on our audit work performed and conclusions, we have included an emphasis of matter paragraph in our independent auditor's report which draws attention to the disclosures made in the annual accounts. Our audit opinion is not modified in respect of this matter.

Significant risk areas

5. Provisions (significant accounting estimate)

Significant risk description

The Board in its financial statements includes provisions for legal obligations in respect of, for example, clinical and medical obligations and participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme).

There is a significant degree of subjectivity in the measurement and valuation of provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.

Audit procedures

- Review of management's estimation for the provision and related disclosures
- Consideration of compliance with the requirements for the FReM and NHS Manual for Accounts.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Key observations

We are satisfied that the amount recognised as a provision appropriately reflects the amounts notified by the Central Legal Office (CLO). We have reviewed management's estimation for the provision and related disclosures, and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

Audit Scotland undertake an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence under ISA (UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information. Their review did not identify any issues in the methodology used by Scottish Government, however noted that

Significant risk areas

due to the impact of COVID-19 a simplified methodology had been used which they deemed reasonable in the circumstances.

Other risk factors

Personal protective equipment and testing kits

22. Personal protective equipment (PPE) and testing kits were purchased nationally by NHS National Services Scotland (NSS) during 2020/21 and distributed to NHS Boards as required at nil cost to each board. Each health board is deemed to be acting as principal in its use of PPE and testing kits for its own frontline staff and therefore should recognise the costs and corresponding funding allocations in its financial statements.
23. NSS has provided the Board with estimates of the costs of equipment provided (£1.952million). The Scottish Government has provided an amended funding allocation letter to reflect the cost of equipment funded by the Scottish Government. The cost of equipment supplied by the UK Government has been recognised as a donation. As all of the PPE was fully funded there is no net effect on the Board's resource outturn.
24. There were significant delays in agreeing the accounting treatment

with Scottish Government and the provision of relevant cost estimates.

25. Audit Scotland, as the external auditor of NSS, has reviewed the methodology and systems used to arrive at the estimated costs in order to provide assurances to the recipient health boards and their auditors on the accuracy of the estimates. There were no issues identified.

Other impacts of COVID-19 on the annual accounts

26. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
<p>Attendance at stock counts</p>	<p>As part of our audit procedures, we attend stock counts where inventory is material, unless impractical, to provide audit evidence relating to existence and condition. Should the pandemic impact on our ability to attend stock counts we will seek to perform alternative audit procedures. In the event that such procedures are not possible we will consider a limitation of scope in our audit opinion.</p>	<p>As in 2020, we were unable to attend stock counts in 2021. During the audit, we carried out alternative procedures to gain assurance over stock balances at the year-end; including a further stock take being carried out post year end and work carried out to reconcile back to the figures as at 31 March.</p>
<p>Content of the annual report and accounts</p>	<p>In response to the continuing impact of COVID-19; HM Treasury has issued an addendum to the Government Financial Reporting Manual 2020-21 which sets out the minimum reporting requirements in respect of the performance report and accountability report.</p> <ul style="list-style-type: none"> • The addendum permits, but does not require, bodies to omit the performance analysis section from the Performance Report. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to the relevant publication. • Where unaudited information otherwise required to be included in the Accountability Report is already published elsewhere, bodies are permitted to refer to the relevant publication rather than including the information in their Accountability Report. 	<p>The Board took the decision to include the performance analysis section of the Performance Report and make the full disclosures in the Accountability Report.</p>

Area considered	Description	Conclusion
<p>Access to audit evidence</p>	<p>Our audit this year has, in the main, been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.</p>	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with Board finance colleagues right up until the point of accounts signing, to ensure all relevant issues were satisfactorily addressed.</p>
<p>Timescales / administrative processes</p>	<p>In Scotland, the administrative deadline for the submission of audited accounts of health boards and agencies is usually 30 June but this has been extended by three months to 30 September . The legislative deadline for laying accounts in the Scottish Parliament however remains at 31 December.</p>	<p>The Board decided to continue with the original timescales (i.e. 30 June), however due to a national accounting issue (paragraph 22); the approval of the annual report and accounts was been postponed by one month which is still within the deadlines as noted above.</p> <p>We worked closely with management throughout the audit to put us in the best position to adhere to this timetable.</p>

Estimates and judgements

27. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
28. As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts,

and accruals. Other than asset valuations and provisions for legal obligations, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

29. Our audit work consisted of reviewing these keys areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorising each area as either Prudent, Balanced or Optimistic.

Estimates and judgements

Asset valuations

Balanced

Asset valuations are carried out by external valuers on an annual basis.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

Provisions

Balanced

Significant estimates were made in relation to the valuation of liabilities related to the Board's membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These estimates were informed by advice from qualified, independent experts.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

Materiality

30. 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 and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
31. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Board and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.
32. Our initial assessment of materiality for the group and board financial statements was £1.45million. On receipt of the unaudited annual accounts, we reassessed materiality and revised it as detailed in the table below. We consider that our updated assessment has remained appropriate throughout our audit.

Materiality

Overall materiality

£1.3million



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£975,000



75%

Work performed to capture individual errors at this level

Trivial threshold

£65,000



5%

All errors greater than this level are reported

Materiality

Our assessment is made with reference to the Board's Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for the Board and one of the principal considerations for the users of the financial statements when assessing financial performance.

Our assessment of materiality equates to approximately 1.5% of the Board's RRL as disclosed in the unaudited annual accounts.

We have set materiality for both the Group and the Board at the same levels given our assessment and approach to the group audit. We have concluded that the Endowment Fund is not significant to the overall group.

We apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We 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 at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

Clearly trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group audit

- 33. The Board prepares its annual report and accounts on a group basis. The group consists of the Board and the Endowment Fund.
- 34. As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding

the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group.

Component	Significant	Level of response required	Planned audit approach
National Waiting Times Centre Board	Yes	Comprehensive	Full scope statutory audit
Golden Jubilee Foundation (Registered as National Waiting Times Centre Board Endowment Fund)	No	Analytical	Desktop review

Comprehensive The component is of such significance to the group as a whole that an audit of the component financial statements is required for group reporting purposes.

Analytical The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

- 35. The Endowment Fund is fully consolidated. We did not consider the Endowment Fund to be of individual financial significance to the group or, due to its specific nature or circumstances, include a significant risk of material misstatement to the group financial statements.
- 36. As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed those entries back to the financial statements.
- 37. Azets is also the appointed auditor to the Endowment Fund. During our audit we liaised with the Endowment Fund audit team to confirm that their programme of work is adequate for our purposes.
- 38. We have nothing to report in respect of the following matters:
 - No significant deficiencies in the system of internal control or instances of fraud were identified by the Endowment Fund auditor; and

- There were no limitations on the group audit.

Audit differences

39. One material audit difference was identified during the audit and has been detailed in Appendix 2.
40. We identified two unadjusted audit differences which are not considered material to the financial statements and are disclosed at Appendix 2.

41. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Internal controls

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the board to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Service auditor reports

42. The Board utilise a number of shared IT systems, IT applications and processes with other Scottish Health

Boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements.

Shared service	Service assurance
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from KPMG. In May 2021 KPMG reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions reached.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish Health Boards.</p>	<p>NHS Ayrshire and Arran procure a service auditor report from BDO. The service auditor highlighted no critical or significant risk findings and reported an unqualified opinion.</p>

Follow up of prior year recommendations

43. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

consider should be brought to your attention other than the material uncertainty disclosure on property valuations noted above. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

47. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Other communications

Accounting policies, presentation and disclosures

44. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.
45. The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate.
46. There are no significant financial statements disclosures that we

Fraud and suspected fraud

48. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing
49. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

50. As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

Written representations

51. A letter of representation was signed at the same time as the financial statements were approved.

Related parties

52. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

53. All requested third party confirmations in respect of bank and legal confirmations have been received.

Financial sustainability

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



Auditor judgement



The Board faces challenges in achieving a balanced financial position in 2021/22 in view of the planned service developments combined with the ongoing impact of COVID-19. The Board's ability to develop and maintain services in a sustainable manner remains at risk and requires continuing careful management and oversight.

Significant audit risk

54. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

An Annual Operational Plan (AOP) is in place for 2020/21 along with a financial plan covering the three years from 2020/21. The Board has forecast a breakeven position across each of the three years. This is dependent on the realisation of a savings plan which the Board has recognised will be challenging over the coming years.

The 2020/21 AOP and Financial Plan reflect that the Scottish Government plans to invest £79.41million over the next five years as part of a major expansion of the Board's services.

Management has prepared a mobilisation plan which sets out the financial impact COVID-19 is having on the organisation. The mobilisation plan sets out the estimated additional costs and savings as a consequence of the pandemic. Looking forward, the achievement of financial balance is dependent on the funding of the additional costs, and moving back to normal activity in line with a phased approach.

The Board also relies on income from other health boards, the Golden Jubilee Conference Hotel and research activities to achieve financial balance. All of these sources of income have been negatively affected by the COVID-19 pandemic.

The Board faces challenges in achieving savings targets, including recurring savings, in amongst a challenging performance management landscape and the ongoing impact of COVID-19. The emerging and uncertain impact on the Board's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

Noted in the 2020/21 External Audit Plan

55. Our detailed findings on the Board's financial framework for achieving long term financial sustainability are set out below.

Future financial plans

56. Prior to the Covid-19 pandemic, the board prepared annual operational plans. However, due to the impact of the pandemic, the Scottish Government paused the annual operating and financial planning processes.

57. Management has prepared a Remobilisation Plan (RMP) which is considered to be the Board's one year Annual Operating Plan for 2021/22. The RMP builds on the Board's Recovery Plans which were submitted to Scottish Government throughout 2020/21. The financial component of the RMP is a one year financial plan with the aim of supporting the wider

NHS Scotland health recovery agenda. The financial plan assumes full funding for remobilisation costs in addition to recurring core base line funding and funding to support the Board's expansion programmes.

58. All NHS Scotland boards have been asked to focus their RMPs on a shared set of key priorities. For National Waiting Times Centre Board these have been grouped into the following:
- Delivering essential services
 - Living with COVID
 - Signalling the Board priorities in the immediate term (2021/22) and beyond as the Board moves beyond an emergency footing into a more 'business as usual' approach.
59. The RMP received appropriate challenge and scrutiny by the Board. The RMP continues to be reviewed and updated; with a further update due in September 2021.
60. During the year Internal Audit reviewed the Board's processes for drafting the RMP, ahead of submission to the Scottish Government. Overall, they provided reasonable assurance and concluded that the arrangements were appropriate for the circumstances and have enabled management to formulate a plan and submit to the Scottish Government in line with agreed timescales.

Financial plan 2021/22

61. The Board's financial plan for 2021/22 shows a forecast variance against core RRL of £2million.

	2021/22
	£million
Forecast financial gap before savings	(4.044)
.....	
Savings identified	0.715
.....	
Unidentified savings assumed to be delivered in year	1.329
.....	
Total savings planned	2.044
.....	
Forecast financial gap after savings	(2.000)
.....	

Source: Financial Plan 2021-22

62. This variance has been built into the financial funding requirement to support the Board's recovery plan in 2021/22.

Financial assessment

63. The Board also relies on income from other health boards, the Golden Jubilee Conference Hotel and research activities to achieve financial balance.
64. A key principle of the Board's RMP is that capacity will be directly funded in full. Funding would be allocated to the Board and there would be no fixed / marginal cost contributions across Boards.
65. The financial assessment assumes that certain operational and strategy developments will be supported

through previously agreed funding flows or savings agenda and therefore are part of core base line funding. These include:

- Expansion programme
- Continuation of core service provision pre pandemic
- Centre for Sustainable Delivery
- NHS Scotland Academy
- Robotic Strategy development
- Leading Innovation – national approach
- Workforce planning
- E-health strategy
- Pharmacy developments.

66. To support the recovery plan, the Board has identified a funding requirement of £16.923million. As noted above, this amount includes the £2million forecast variance against core RRL.

Golden Jubilee Conference Hotel (GJCH)

67. As part of the Board's contingency and support arrangements in response to the pandemic, the GJCH officially closed on 20 March 2020 and remains closed until such time as the hospitality sector can open safely. Throughout the pandemic the GJCH and its workforce has supported NHS Scotland priorities whilst minimising footfall on-site as the Golden Jubilee remains a 'Covid-light' site.

68. GJCH is currently assuming an 18-month recovery period before any longer-term strategic planning can be undertaken with certainty. The future strategy will also reflect the GJCH's important role in supporting further

expansion of the NHS Golden Jubilee portfolio including services provided through the National Hospital and Elective Centre, and developments such as the NHS Scotland Academy and Innovation Accelerator.

69. In 2021/22, a new hotel and conference strategic plan will be developed. This will focus on a potential shift in business emphasis with the facilities being prioritised for residential and teaching requirements including simulation/haptics for the NHS Scotland Academy and the wider use for NHS meetings and conferences.

Workforce Plan

70. The Board's workforce has grown by nearly 200 staff since 2015, enabling expansion of services and capacity to deliver increasing amounts of elective care for NHS Scotland. Further hospital expansion and service development will see the workforce grow further to approximately 2,400 staff by 2025, with the largest growth area being nursing.

71. The Board has produced detailed plans for its workforce strategy. Whilst there is both the annual workforce plan and the 3-year plan going forward, the Board aim to also produce an overarching 2025 workforce plan which will focus on a longer outlook.

Capital plans

72. Well established capital planning processes are in place. A capital group meets every two weeks to consider capital requests and requirements against strategic planning objectives. The group discusses proposed capital projects

and approves and monitors capital expenditure.

73. While the Financial Plan outlines the forecast revenue position for 2021/22, capital plans extend out to five years (as in previous years). The capital plan outlines significant capital investment

in property, plant and equipment over the next five years, totalling £86.059million. Of that total, £63.11million relates to the major expansion plans:

5 year capital plan (£million)

CRL	2021/22	2022/23	2023/24	2024/25	2025/26
Formula funding	2.691	2.691	2.691	2.691	2.691
Project funding	32.959	26.878	3.268	0	0
Total allocated CRL	35.650	29.569	5.959	2.691	2.691
Additional funds required	2.734	4,060	1.337	29	1.339
Total requested CRL as per finance plan	38.384	33.629	7.296	2.720	4.030

Source: Financial Plan 2021-22

74. The Board's planned expansion project is a direct result of the success of its service model and comprises two phases:
- phase one: delivery of ophthalmology elective care capacity, which was completed during the financial year; and
 - phase two: delivery of additional orthopaedic and other surgical elective care capacity.

75. The Board receives updates on the expansion programme at each meeting, providing an overview of progress against key milestones. Additionally, an Expansion Cost Control Group meets regularly to monitor costs and review the progress.
76. The RMP includes the delivery of the Phase two Board expansion project, due for completion during 2022/23, with the associated internal reconfigurations and developments including the utilisation of area

previously occupied by NHS24 to enable internal expansion. Due to the growing workforce and activities which the Board is carrying out, there is greater need for the utilisation of space to be optimised.

77. Given the scale of the expansion programme and its significance to service delivery we continue to monitor developments throughout our term of appointment.

EU withdrawal

78. The withdrawal of the United Kingdom from the European Union presented a number of risks for NHS Scotland and NHS Boards. The Board established a working group chaired by the Head of Clinical Governance and Risk Management. Strategic and operational risk management arrangements were established to oversee and where possible mitigate EU withdrawal related risks. Many of the risks identified are being addressed on a national level, with the Board contributing to the national response (for example, risks to the supply of essential medicine and pharmaceutical supplies).

79. Medicine was identified as the most significant risk area arising from EU withdrawal. The Board is linked in to national groups, and continues to engage with Scottish Government leads. National NHS procurement is leading on the risk response in this area in collaboration with the UK Department of Health. Shortages of medicines due to the pandemic allowed NHS Scotland and Boards to test contingency plans and processes which offers a degree of assurance in relation to EU withdrawal related risk in this area.

80. A further potentially significant risk identified relates to workforce, specifically workers from out with the UK. While the Board does have employees in this category the numbers are small and not deemed a critical risk to the ongoing delivery of services. The introduction of an immigration points-based system in future is being closely monitored by the Board's recruitment and workforce planning leads to ensure the effects on the future workforce are understood and mitigated, with appropriate processes established. A specific recruitment risk register has been developed that sits alongside the Board Workforce Plan. This is supported by new processes to monitor recruitment. The Board continues to contribute to national contingency planning to manage this risk at a national level.

Financial management

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



Auditor judgement



The Board has effective arrangements in place for financial management and the use of resources.

Financial performance

81. All Boards typically have to work within the resource limits and cash requirements set by the Scottish Government.
82. In 2020/21, however, the Scottish Government paused the annual operating and financial planning process. This was in recognition of the exceptional nature of 2020/21, the associated impact on health boards'

delivery of financial plans, and the additional non-repayable funding provided to support in-year financial balance across all boards¹. The National Waiting Times Centre Board received £13.208million additional non-repayable funding in year, which has been reflected in the resource limits and actual performance for the year.

Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000
Revenue resource limit (RRL)	102,526	102,488	38
Capital resource limit (CRL)	25,649	25,649	-
Cash requirement	121,902	121,902	-

Financial outturn in 2020/21

83. The Board incurred £102.488million in revenue expenditure in 2020/21.
84. £25.649million of capital expenditure was incurred, this is in line with the plan for the year, following authorised allocations agreed with Scottish Government.

Capital expenditure	£000
Property	1,130
Medical Equipment	6,427
IM&T	247
Elective Centres	17,845
Total	25,649

¹ As a result of this change in process, as auditors we are not required to report on the

Board's compliance with its revenue resource limit in 2020/21.

85. As part of the Scottish Government's £200 million investment to meet demand for elective procedures, NHS Golden Jubilee's services are expanding to treat more patients than ever before.
86. Phase one of the expansion is complete with the opening of the new Eye Centre in November 2020.
87. Phase two of the Elective Care Centre programme is underway with the delivery of additional Orthopaedic and other surgical elective care capacity expected in early 2023.
88. The Scottish Government approved the Full Business Case for the Phase Two Expansion on 16 March 2021.
89. The Scottish Government provided authorisation for the Board to continue work on Phase 2 in advance of the Full Business Case being formally approved. The Full Business Case was approved in principle by the Capital Investment Group on 21 July 2020 subject to completion of the Design Assurance Review and support from Health Facilities Scotland. The work was instructed through the Phase 1 contract which is in place with the Principal Supply Chain Partner.
90. Through our review of the Cost Control Meetings which take place between the Board and Aecom (the Board's cost advisors), we are satisfied that appropriate discussions have taken place over the progress and costings of the projects.

Efficiency savings

91. At year-end, efficiency savings delivered were £2.409million against the Annual Operating Plan (AOP)

original target of £3.813million (pre Covid). This under-achievement of £1.327million was a direct result of managing the impact of the pandemic and has been carried forward as a saving requirement in the 2021/22 Financial Plan.

92. The Board typically has a strong record of achieving its efficiency savings target. The savings achieved for financial year 2020/21 are split between recurring efficiency savings of £1.311million and non-recurring savings of £1.098million. There is ongoing dialogue with the Scottish Government on the level of non-recurring efficiency savings, particular as a consequence of the pandemic.

Systems of internal control

93. We have evaluated the Board's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.
94. We did not identify any significant weaknesses in the Board's accounting and internal control systems during our audit.
95. At the outset of the pandemic, systems and processes were reviewed to enable remote working. All non-front line staff, where possible, were encouraged to utilise home working.
96. Throughout the year, there was a push to ensure managers were maintaining an effective line of communication with their staff and provide individuals with the equipment needed to discharge their roles. These measures were in place to support the workforce both physically and mentally.

97. Increased communication with employees is crucial to ensure there is an appropriate level of management oversight. Going forward, it has been discussed that for non-clinical staff there will be a blended approach of working remotely and in the office. This will be beneficial whilst social distancing measures continue to be in place and also to utilise the hospital's capacity in the most effective manner.

Internal audit

98. An effective internal audit service is an important element of a Board's overall governance arrangements. The Board's internal audit service is provided by Grant Thornton. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of the Board's total audit resource.

Prevention and detection of fraud and irregularity

99. We found the Board's arrangements for the prevention and detection of fraud and other irregularities to be adequate. The Board has continued to operate an effective control environment throughout the pandemic to ensure that those controls and procedures which prevent fraud have been appropriately managed.

100. Regular updates on fraud related matters (including Counter Fraud Services updates), and the National Fraud Initiative (NFI) are presented to the Audit and Risk Committee.

101. There is an annual Counter Fraud Service (CFS) visit which takes place on an annual basis, with the outcome being presented to the Audit and Risk

Committee. It has been highlighted that the work undertaken regarding fraud has been limited as a result of the pandemic. However as noted by the fraud update presented to the Audit and Risk Committee, there have been no reactive cases under investigation by CFS relating to the Board during the financial year. Moreover, during the latter part of the year, due to the impact of the pandemic, additional work has been carried out in partnership with Counter Fraud Services particularly related to the increase of Cybercrime during this time.

Risk of fraud and corruption in procurement functions

102. As part of our audit we reviewed procurement arrangements at the Board, concentrating on the arrangements preventing fraud and corruption in procurement.

103. The Board has refreshed its Procurement Strategy for 2021/24. The provision of Procurement Services to NHS24 ceased with effect from 1 June 2020, with the strategy being updated to reflect this change.

104. Overall, we have concluded that the arrangements for preventing and detecting fraud in procurement at the Board are satisfactory.

Whistleblowing measures

105. Whistleblowing updates are regularly provided to the Board. A whistleblowing champion was appointed during the financial year.

106. Confidential Contacts have also been set up to provide confidential support to any employee who feels that they are being bullied or harassed at work or has a whistleblowing concern.

107. On 1 April 2021, a new Whistleblowing National Policy was introduced, which is designed to further enhance and build on the current arrangements. The Policy provides guidance on ensuring confidentiality and appropriate support for those who have chosen to raise concerns. This has led to new processes being introduced by the Board, with the development of the three stage process.
108. These new measures will enhance transparency and encourage a positive environment for all individuals as well as reduce the likelihood of fraud or malpractice.

National fraud initiative

109. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
110. The most recent NFI exercise commenced in January 2021, with matches to be investigated by 30 September 2021.
111. To date, results of the NFI investigation have not yet identified any frauds, errors or other such observations and based on our review, we have concluded that NFI arrangements are satisfactory, and that the Board has taken a reasonable and proportionate approach to investigating matches.

Governance and transparency

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



Auditor judgement



Governance arrangements at the Board were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date.

Agile governance structures and robust frameworks have been developed and revised during the COVID pandemic response, supported with the embedding of the 'Values' across the Board. This has been carried out to provide confidence in the risks taken in the development and execution of the remobilisation and wider Board Strategy.

Governance and transparency

Responding to the COVID-19 pandemic

112. As part of its response to the COVID-19 pandemic, the Board implemented an Agile Governance Model to ensure the organisation was effectively responding to the pandemic, discharging its governance responsibilities and making effective use of available resources.
113. An Agile Governance Group (comprising the Board Chair, Clinical Governance Committee Chair, Person-Centred Committee Chair, Chief Executive and Executive Directors) was established and met twice per week to provide the Board with assurance that robust processes were in place to manage the organisation's resilience response. The Board continues to meet monthly to monitor the situation and organisational response. A decision however was taken to suspend public meetings for the safety of all potentially involved. These were later resumed in July 2020.
114. The Board implemented a command structure throughout the year to provide a framework for the co-ordination of the organisation's whole system response to the pandemic. The three levels of command are:
 - Gold (Strategic consideration)
 - Silver (Tactical consideration)
 - Bronze (Operational consideration)
115. The command structure clearly sets out the chain of command of decision making.
116. As the pandemic recovery phase continues, the use of this framework will be further reviewed and refreshed to ensure arrangements are appropriate.
117. The Board reviewed its strategy in light of the COVID-19 pandemic. The key aims and objectives remain consistent, with updates made over the most effective method of long-term delivery of key services.
118. The risk register was updated early into the pandemic, identifying the additional risks COVID-19 presented to the Board and its ability to continue to operate and deliver services.
119. An additional four risks were added to the risk register. The Board acted swiftly to ensure all appropriate and incumbent mitigations were implemented. These continue to be monitored at each Board meeting.
120. The Board has continued to report on the four additional Covid-19 related risks and has implemented various actions to ensure these risks are being dealt with effectively. Actions include, for example, the implementation of a Health & Wellbeing Strategy and providing weekly performance reviews via the command structure.

Governance

New appointments

121. The following changes in board membership occurred during the period:
 - New non-executive members Elaine Cameron and Callum Blackburn were appointed.

- Quality, Innovation and People Director Andrea Harkness left post in October 2020.
122. We reviewed the induction process and concluded that it provides those charged with governance with the information and platform to do so effectively.
123. In addition, a number of Board seminars have taken place during the year focusing on developing elements of the Board Strategy and embedding Non-Executive Director development throughout the Board Calendar.

Board / Committee structures

124. The Board Standing Committees underpin the application of good governance within the organisation and are in line with the Blueprint for Good Governance published in January 2019.
125. As a result of the Covid-19 pandemic, governance arrangements were subject to some approved amendments to respond to the developing issues faced across NHS Scotland and ensured the Board could discharge its governance responsibilities effectively and respond appropriately during this unprecedented period.
126. This included the new agile governance process being implemented to ensure proposals to commence new services or restart core services are reviewed robustly and approved appropriately.
127. The committee structure was reviewed during the year and consequently changes were made.
128. In recognition of the Board's growing portfolio and requirement for additional review of key strategic programme

objectives and milestones, a new Strategic Portfolio Governance Committee (SPGC) was established from January 2021. This new Committee is chaired by the Board Vice Chair.

129. Additionally, the Strategic Programme Board (SPB) oversees and directs the development, implementation and monitoring of the Board Strategy. This board reports directly to the SPGC.
130. The Committee will work within the principles of the Scottish Government Blueprint for Good Governance (2019), to ensure effective management, improved performance and ultimately good outcomes for all stakeholders.
131. With the establishment of this new committee the Finance, Performance and Planning Committee remit was updated with the new title of Finance and Performance Committee. Board Committee membership was also refreshed during this review.
132. Through our review of the committee papers, we are satisfied that there has been effective scrutiny, challenge and informed decision making through the financial period.

Changing landscape for the Board

133. Over the last year the Board's core work programme has seen significant change, work continues with the Recovery Plan and the Hospital Expansion Programme has made significant progress with the completion of Phase 1 and continuing work on Phase 2.
134. The wider portfolio also continues to expand with a number of strategic programmes underway and more in development. This includes the establishment of the NHS Scotland

Academy, the augmentation and implementation of the Centre for Sustainable Delivery (CfSD) and the programme of work associated with the development of the NHS Scotland National Innovation Accelerator.

implementation of the Board Strategy and expanding Board portfolio.

136. We will review the effectiveness of these governance arrangements during our audit in 2021/22.

135. The new SPGC will advise and assure the Board on the development and

Strategic programme	Background	Governance
<p>NHS Scotland Academy (in partnership with NHS Education for Scotland “NES”)</p>	<p>The NHS Scotland Academy will focus on delivering innovative, needs based, accelerated training, supporting the commitment to attract staff, with the added benefit of direct access to the clinical expertise of one of Scotland’s Operational National Treatment Centre settings</p> <p>The first national training programmes commenced in June 2021. The planned courses will include perioperative, surgical first assistant, anaesthetic assistant, endoscopy, built environment and ICU training programmes.</p> <p>The main aim of the Academy is to aide the delivery of a resilient and skilled workforce of the future.</p>	<p>The governance structure will be agreed between Scottish Government, the Board and NES and will include leadership from the NHS Scotland Academy Board.</p> <p>The Strategic Oversight Board of the NHS Scotland Academy will be co-chaired by the Board Chairs of the Board and NES with membership consisting of key members of Scottish Government and Executive and Non-Executive Directors from the Board and NES.</p> <p>The purpose of this group will be to commission the delivery and implementation of this programme. Meetings are currently being held and we will monitor the governance arrangements during 2021/22, particularly with the Academy launching in 2021.</p>
<p>Centre for Sustainable Delivery (CfSD)</p>	<p>The Scottish Government requested that the Board establish the new national Centre for Sustainable Delivery (CfSD) to support the Care Programmes and enable NHS Boards to adopt the Remobilise, Recover and Redesign approach through</p>	<p>The CfSD will operate under the existing sponsorship arrangements that are in place for the Board and under the direction of Scottish Government and Chief Executive of NHS Scotland.</p>

Strategic programme	Background	Governance
	<p>sustainable transformation programmes across health and social care.</p> <p>The CfSD will support Scotland's aspiration for excellence in delivery of healthcare, promoting and embedding best practice through a 'Once for Scotland' approach and enabling redesign programmes to support a sustainable health and care system, which is aligned with the priorities of Scottish Government.</p>	<p>The CfSD will agree an annual workplan for redesign and transformation with Scottish Government.</p> <p>The Board's Chief Executive will provide accountable officer leadership for the CfSD and will support the Centre to align with national priorities under the direction of Scottish Government to design, develop and support 'Redesign for Recovery' transformation programmes.</p>
<p>NHS Scotland National Innovation Accelerator</p>	<p>This initiative will potentially see shared investment to establish a Unit on the Board's site to increase the pace and scale of inward investment and associated economic growth for Scotland in the healthcare and bio-tech arena. As such the Board would act on behalf of Scottish Government and NHS Scotland as the gateway and broker for mutually beneficial partnerships with industry and academia where there was access to data, expertise or patients with capability to establish effective governance and income generation infrastructure in a timely and robust manner.</p>	<p>The development of a business case for a new capital investment and phase 3 expansion is a combined approach between the Innovation Accelerator and the NHS Scotland Academy programmes.</p> <p>The workplan of the NHSS Innovation Accelerator is currently being taken forward by the NHS Innovation Accelerator Business Case Development Group.</p>

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Board's reporting of its performance.



Auditor judgement



The Board has appropriate performance management processes in place that support the achievement of value for money.

The Board has successfully supported NHS Scotland in its response to the COVID-19 pandemic.

Responding to the COVID-19 pandemic

137. The Board's response to the COVID-19 pandemic had four main elements:

- Enhanced intensive care service
- Cardiology and cardiothoracic services
- Elective diagnostics and surgical services
- Urgent elective cancer surgery.

138. The Board is being used as a national resource to accelerate recovery in urgent cancer diagnostics and surgery, cardiothoracic services and high volume elective orthopaedics and ophthalmology. Plans have also been developed to increase capacity and enable recovery of its own waiting list.

139. Throughout the pandemic the Board has communicated with Scottish Government in terms of its mobilisation plan expectations and financial position.

140. The Board has carried out a "lessons learned" analysis to understand how it can improve on its response to the pandemic.

141. The Board has continued to be a "covid-lite" site and does not routinely admit Coronavirus patients. Consequently, it has been a national resource to all Boards across Scotland and has therefore had to undergo significant changes to plans to ensure that it can adapt at short notice.

142. Through our assessment of the Board's plans and governance arrangements to ensure appropriate challenge and scrutiny of those plans,

it is evident that each aspect has been well thought through, with the plans illustrating clear and cohesive objectives.

Achievements reported during 2020/21

143. As a national resource, the Board has adapted throughout the pandemic to meet the demands of NHS Scotland in a planned and consistent way, seeking to maintain a balance between urgent and elective care.

144. Despite the challenges faced as a result of the pandemic, the Board opened an additional cardiac catheterisation laboratory. The addition of this fifth 'Cath Lab' will provide in the region of 700 additional coronary and 190 electrophysiology procedures.

145. The Board has been instrumental in delivering cancer treatments during the year and providing assistance to other Health Boards.

146. The Board has provided mutual aid, when required, and supported NHS Boards throughout this emergency period and have aided the collaboration arrangements across the West Region. The Board formerly offered West of Scotland Boards the ability to pause repatriation of cardiology patients to relieve bed pressures and support the patient pathway during the pandemic.

147. While orthopaedic elective services were paused during the pandemic, the Board initially supported health boards across Scotland by operating on patients requiring urgent orthopaedic revisions.

148. Since Autumn 2020, the Board has delivered radiology services from NHS

Louisa Jordan (NHS LJ). The NHS LJ Imaging service project is directly funded through Scottish Government Access Team (SGAT). This service delivers waiting list capacity for the region as well as aiding the Board's radiology recovery plan.

Performance management arrangements

149. An Integrated Performance Report (IPR) is produced monthly as part of a two monthly performance cycle. The key elements of the reporting cycle are:
- IPR produced and shared with Board members monthly.
 - IPR on second month considered by three Committees.
 - Board Summary Report produced including Chairs comments for Board consideration.
150. As a result of Covid-19, there were a number of Key Performance Indicators (KPIs) which were put on hold. These primarily related to the Golden Jubilee Conference Hotel and other areas where services were halted due to the pandemic.
151. The decision was made not to re-baseline the original KPIs for the year as the Board believed that these indicators were deemed to be valid under normal circumstances. However, it was agreed that divisions would not be held to the same targets as last year and therefore the targets were reduced to achievable levels. In some areas, such as admissions, the Board has taken the decision to slowly increase the targets, with the aim that these will eventually go back up to the pre-pandemic levels.
152. Through review of the committee papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

Performance in 2020/21

153. Two of the seven KPIs as detailed in the Annual Report and Account successfully met the target.
154. The five KPIs which were reported as below target were:
- Sickness Absence: 4.5% (target <4%; 2019/20 4.65%)
 - Patients treated within 12 weeks of decision to treat: 70% (target 100%, 2019/20 72%).
 - Patients treated within 18 weeks of referral: 86% (target 90%, 2019/20 90%)
 - CDI occupied bed days: 14.7 (target <1.9, 2019/20 0.06)
 - SAB occupied bed days: 27 (target <11.2, 2019/20 0.11)

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Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Board and the auditor and are detailed below.

Board responsibilities

The Board has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

Area	Board responsibilities
Corporate governance	<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. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements.	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; • maintaining proper accounting records; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the Board. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the</p>

Area	Board responsibilities
	<p>entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</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 its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The Board is responsible for establishing 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.</p>
<p>Financial position</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"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.</p>

Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and 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; and
- demonstrate compliance with the wider scope of public audit.

Wider scope of audit

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 financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In October 2020, the Auditor General extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide continuity and stability in the current challenging environment. The FRC's Ethical Standard states that careful consideration must be given once an audit engagement partner has held the role for a continuous period of ten years. Our period of total uninterrupted appointment as at the end of 31 March 2021 is 10 years. As such to mitigate the threat to auditor independence as result of long association, and in accordance with guidance from Audit Scotland, a new audit engagement partner will be appointed for the 2021/22 audit.

Audit and non-audit services

The total fees charged to the Group for the provision of services in 2020/21 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of National Waiting Times Centre Board (Auditor remuneration)	60,130	58,380
Audit of group component (as audited by Azets)	9,800	9,220
Total audit	69,930	67,600
Non-audit services	-	-
Total fees	69,930	67,600

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to National Waiting Times Centre Board.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the Board since appointment can be found at <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

Appendix 2: Adjusted and unadjusted differences identified during the audit

Corrected misstatements

No	Detail	Assets Dr / (Cr) £m	Liabilities Dr / (Cr) £m	Reserves Dr / (Cr) £m	SoCNE Dr / (Cr) £m
1.	Recognition of PPE stock (net position)			(1.689)	1.689
Revised net expenditure per audited accounts					100.441

Uncorrected misstatements

Our summary of unadjusted audit differences is presented below. We have discussed these with management and confirmed that all unadjusted differences are collectively and individually immaterial.

No	Detail	Assets Dr / (Cr) £m	Liabilities Dr / (Cr) £m	Reserves Dr / (Cr) £m	SoCNE Dr / (Cr) £m
1.	Release of R&D income to the SOCNE in line with IFRS 15		1.409		(1.409)
2.	Difference in valuation report and annual accounts	(0.476)			0.476
Total					(0.933)

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

The recommendations are categorised into three risk ratings:

Key:

Significant deficiency

Other deficiency

Other observation

Action Plan

1. Research and development (R&D) income		Other deficiency
Observation	The Board is not recognising R&D income from commercial contracts in line with IFRS 15 Revenue from Contracts with Customers, but is instead recognising income in relation to expenditure incurred.	
Implication	Non-compliance with accounting standards.	
Recommendation	Management should revise the current approach to recognising R&D income, to ensure it is compliant with IFRS 15.	
Management response	<p>The contracts surrounding commercial income are complex and have in some circumstances specific criteria is embedded regarding the timing of the claim and receipt of income. The Board will therefore undertake a review of every contract to ensure that compliance is adhered to and will note this for all new contracts created.</p> <p>Responsible Officer: Director of Finance</p> <p>Implementation Date: November 2021</p>	

Appendix 4: Follow up of prior year recommendations

We have followed up on progress in implementing the outstanding action raised in the prior year/s. This has now been closed as described below.

Action raised in 2018/19

Recommendation The register of interests published on the website should be updated at the earliest opportunity.

Rating	Other observation	Implementation date	Immediate – we will ensure the register of interests is published as soon as practical after the end of the financial year.
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Closed	The 2019/20 register of interests is available on the Board’s website. Given the timing of our follow up, we would not have expected the 2020/21 register to be made available.
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