

<b>NHS Greater Glasgow and Clyde</b>	<b>Paper No. 22/79</b>
<b>Meeting:</b>	<b>NHS Board Meeting</b>
<b>Meeting Date:</b>	<b>25 October 2022</b>
<b>Title:</b>	<b>Patients' Private Funds Annual Accounts 2020-21</b>
<b>Sponsoring Director:</b>	<b>Colin Neil, Director of Finance</b>
<b>Report Author:</b>	<b>KPMG</b>

## 1. Purpose

**The purpose of the attached paper is to:** present the 2020-21 Patients' Private Funds Annual Accounts and KPMG External Audit report to the Board and confirm the external audit arrangements for these accounts going forward.

## 2. Executive Summary

### Annual Accounts and Audit

The draft Annual Accounts are enclosed at Appendix A, the Independent Auditors report from KPMG is enclosed at Appendix B and Letter of Representation is enclosed at Appendix C.

The KPMG audit opinion states that:

*In our opinion the abstract of receipts and payments for the year ended 31 March 2021 have been properly prepared, in all material respects, in accordance with the requirements of the 2020/21 NHS Board Accounts Manual.*

The delay in finalisation of the 2020-21 audit was due to resource issues at KPMG.

On 13 September 2022 the Audit & Risk Committee (ARC) agreed to recommend that:

1. The Patient Private Funds Annual Accounts 2020-21 be adopted by the NHS Board;
2. The Board authorise the Chief Executive and the Director of Finance sign the abstract of receipts and payments; and

## BOARD OFFICIAL

3. The Board authorise the Director of Finance to sign the letter of representation on their behalf.

At the September ARC a query was raised regarding protocols to ensure that the funds held relate only to current inpatients. PPF balances are checked on a monthly basis to ensure that all balances held relate to current patients. There is a policy in place to manage the appropriate transfer of funds and property to patients or their next of kin. For Adults with Incapacity (AWI) this is managed under guidelines laid out by the Supervisory Body and in line with AWI legislation.

### External Audit Contract

In February 2022 the external audit contracts for both the Patient Private Funds and Endowment Funds audits were retendered. In April 2022 BDO was appointed as External Auditor for both funds for the 2021-22 and 2022-23 annual accounts

The audit fee for the completion of the 2021-22 PPF accounts is £12,950 (2020-21 fee was £12,000). The fee for the 2022-23 accounts is £13,450.

The external audit contracts for both PPF and Endowment Funds will be retendered during 2023 in advance of the 2023-24 audit cycle and a paper will be brought to ARC confirming the final outcome of the tender process.

### Audit Timeline for 2021-22 and 2022-23 accounts

Following approval of the 2020-21 PPF accounts by the Board the 2021-22 PPF audit will commence on 21 November 2022. The 2021-22 Accounts and Audit will be reported to the March 2023 Audit & Risk Committee and thereafter to the Board

It is anticipated that the 2022-23 PPF audit will be concluded and reported in line with the rest of the Board and Endowment Fund accounts in June 2023.

## **3. Recommendations**

The Board is asked to consider the enclosed PPF Annual Accounts and audit report from KPMG for the financial year ended 31 March 2021, and, if satisfied, agree to:

1. Adopt the Patient Private Funds Annual Accounts 2020-21;
2. Authorise the Chief Executive and the Director of Finance sign the abstract of receipts and payments;
3. Authorise the Director of Finance to sign the letter of representation on their behalf; and
4. Note the appointment of BDO as External Auditor for the PPF funds for 2021-22 and 2022-23.

## **4. Response Required**

This paper is presented for **approval**.

## 5. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity and environmental impact are assessed as follows:

- Better Health Neutral impact
- Better Care Neutral impact
- Better Value Positive impact
- Better Workplace Neutral impact
- Equality & Diversity Neutral impact
- Environment Neutral impact

## 6. Engagement & Communications

The issues addressed in this paper were subject to the following engagement and communications activity: N/A

## 7. Governance Route

This paper has been previously considered by the following groups as part of its development: None

## 8. Date Prepared & Issued

Prepared in October 2022  
Issued on 18 October 2022



NHS Greater Glasgow and Clyde  
Patients' Private Funds - Annual Accounts  
for the Year Ended 31 March 2021



**NHS Greater Glasgow and Clyde**  
**Patients' Private Funds - Annual Accounts for the Year Ended 31 March 2021**

---

	Page
Statement of Board Members' Responsibilities	3
Independent Auditor's Report	4
Abstract of Receipts and Payments	6

# **NHS Greater Glasgow and Clyde**

## **Patients' Private Funds - Annual Accounts for the Year Ended 31 March 2021**

---

### **Statement of Board Members' responsibilities**

The Scottish Government Health and Social Care Directorates require the members of the Board of NHS Greater Glasgow and Clyde ("the Board members") to prepare an abstract of receipts and payments of Patients' Private Funds for each financial year in accordance with the requirements of the 2020/21 NHS Board Accounts Manual, which fairly presents the state of the funds administered.

The Board members are responsible for ensuring proper accounting records are maintained, which disclose with reasonable accuracy at any time the financial position of the Patients' Private Funds and enable them to ensure that the statement complies with the requirements of the Scottish Government Health and Social Care Directorates given in the 2020/21 NHS Board Accounts Manual. They are also responsible for such internal control as they determine is necessary to enable the preparation of an abstract that is free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets held on behalf of patients and to prevent and detect fraud and other irregularities.

As Board members of NHS Greater Glasgow and Clyde, we confirm that the above responsibilities have been discharged during the period from 1 April 2020 to 31 March 2021, and in preparing the abstract of receipts and payments for that period.

**C Neil**

**Director of Finance**

**25 October 2022**

## **Independent auditor's report to the Board of NHS Greater Glasgow and Clyde**

### **Opinion**

We have audited the attached abstract of receipts and payments of patients' private funds administered by the Board of NHS Greater Glasgow and Clyde for the year ended 31 March 2021.

In our opinion the abstract of receipts and payments for the year ended 31 March 2021 have been properly prepared, in all material respects, in accordance with the requirements of the 2020/21 NHS Board Accounts Manual.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and the terms of our engagement letter dated 11 December 2014. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Emphasis of matter – special purpose basis of preparation**

The Scottish Government Health and Social Care Directorates require the Board of NHS Greater Glasgow and Clyde to prepare, on an annual basis, an abstract of receipts and payments of patients' private funds administered by the Board. The abstract of receipts and payments of the patients' private funds has been prepared by the Board, on a cash basis, in accordance with the requirements of the 2020/21 NHS Board Accounts Manual. The transactions and funds recorded in the Abstract are not those of the Board and do not appear in the Board's statutory accounts. Accordingly, the Board confirms that the going concern basis of accounting is not relevant to the preparation of the Abstract.

### **Fraud and breaches of laws and regulations**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring with management and those charged with governance as to whether they have knowledge of any actual, suspected, or alleged fraud; and
- Reviewing board minutes.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud. Given the nature of the Board of NHS Greater Glasgow and Clyde, we did not identify any additional fraud risks.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Abstract, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Abstract, the less

likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance and fraud and cannot be expected to detect non-compliance with all laws and regulations as a result of our audit procedures.

### **Board members' responsibilities**

As explained more fully in their statement set out on page 3, the Board members are responsible for: the preparation of the Abstract in accordance with the requirements of the 2020/21 NHS Board Accounts Manual; and such internal control as they determine is necessary to enable the preparation of an Abstract that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the Abstract as a whole is free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISA's (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the non-statutory accounts.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

Our report has been prepared for the Board, as a body, solely in accordance with the terms of our engagement. It has been released to the Board on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Board's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Board determined by the Board's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Board, as a body, for any purpose or in any context. Any party other than the Board who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility of liability in respect of our report to any other party.

**Michael Wilkie (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP**

*Chartered Accountants*  
319 St Vincent Street  
Glasgow  
G2 5AS

# **NHS Greater Glasgow and Clyde**

## **Patients' Private Funds - Annual Accounts for the Year Ended 31 March 2021**

---

### **1. Note to SFR19**

The Scottish Government Health Directorate requires NHS Greater Glasgow and Clyde to prepare, on an annual basis, an abstract of receipts and payments of patients' private funds administered by the Board. The abstract of receipts and payments of the patients' private funds has been prepared by the Board, on a cash basis, in accordance with the requirements of the 2020/21 NHS Board Accounts Manual.

**NHS Greater Glasgow and Clyde**

**Patients' Private Funds - Annual Accounts for the Year Ended 31 March 2021**

**Abstract of Receipts and Payments (SFR 19)**

2020 £		2021	
		£	£
	<b>RECEIPTS</b>		
	Opening Balances:		
<b>168,723</b>	Cash in Bank	191,631	
<b>44,000</b>	Cash on Hand	45,076	
<b>2,922,241</b>	Other Funds	2,559,550	
3,134,964			<b>2,796,257</b>
<b>1,728,457</b>	From or on behalf of Patients		1,685,243
<b>22,309</b>	Interest on Patients' Funds Accounts		12,308
4,885,730	<b>TOTAL RECEIPTS</b>		<b>4,493,808</b>
	<b>PAYMENTS</b>		
<b>2,089,473</b>	To or on behalf of patients		1,785,864
	Closing Balances:		
<b>191,631</b>	Cash in Bank	2,662,944	
<b>45,076</b>	Cash on Hand	45,000	
<b>2,559,550</b>	Other Funds	-	
2,796,257	<b>CLOSING BALANCE</b>		<b>2,707,944</b>
4,885,730	<b>TOTAL PAYMENTS</b>		<b>4,493,808</b>
	Closing Balances accounted for as :		
<b>2,796,257</b>	Patients' Personal Accounts		
-	Credit Balances	2,707,959	
	Less: Debit Balances	(15)	
2,796,257			<b>2,707,944</b>
-	Interest received but not Credited		-
2,796,257	<b>TOTAL CLOSING BALANCE AS ABOVE</b>		<b>2,707,944</b>

I certify that the above abstract of Receipts and Payments is correct, and in accordance with the Books of Account and that the Register of Valuables has been inspected and checked with property held.

Director of Finance \_\_\_\_\_

Date \_\_\_\_\_

The abstract of Receipts and Payments was submitted and duly approved at the NHS Board Meeting on 25 October 2022.

Chief Executive \_\_\_\_\_

Date \_\_\_\_\_



# NHS Greater Glasgow and Clyde Board: Patients' Private Funds

Report to those charged with governance

Year ended 31 March 2021

25 August 2022

# Contents

	Page
<b>Introduction</b>	2
<b>Audit findings</b>	3
<b>Mandatory communications</b>	4
<b>Appendices</b>	5

## **About this Report**

We have prepared this Report in accordance with our audit engagement letter dated 26 September 2019.

### **Purpose of this report**

This Report is made to directors of NHS Greater Glasgow and Clyde Board, 'the Beneficiaries', in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

### **Restrictions on distribution**

This Report is subject to Beneficiaries abstract of receipts and payments of patients' private funds, nor does it add to or extend or alter our duties and responsibilities as auditors reporting disclosure restrictions as set out in the engagement letters.

### **Limitations on work performed**

This Report is separate from our audit report and does not provide an additional opinion on the Beneficiaries abstract of receipts and payments of patients' private funds, nor does it add to or extend or alter our duties and responsibilities as auditor reporting to the Beneficiaries.

We have not designed or performed procedures outside those required of us as auditor for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditor. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

We have also aimed to use our knowledge of the business gained during our audit work to make useful comments for management to consider. However, our audit work is designed to enable us to form our opinion on the financial statements, viewed as a whole. As a result, the points raised should not be relied upon to disclose all internal control matters that may exist across the Board, nor to disclose errors that are not material in relation to the abstract of receipts and payments of patients' private funds.

# Introduction

## Background

This report sets out the key findings from the audit of the abstract of receipts and payment of patients' private funds ("the abstract") administered by NHS Greater Glasgow and Clyde Board ("the Board") for the year ended 31 March 2021. It is designed to support the opinion and conclusions that we are required to provide you. We are required to audit the abstract of receipts and payments and give an opinion on whether the abstract has been properly prepared in accordance with the basis of preparation set out in the note to the abstract.

Our audit work is carried out in accordance with the requirements of International Standards on Auditing (UK) ("ISAs") to the extent that they are relevant to the abstract.

The Scottish Government Health Directorate requires the Board to prepare the abstract for each financial year, which fairly presents the state of the funds administered. Board management is responsible for ensuring proper accounting records are maintained, and is also responsible for safe guarding the assets held on behalf of patients, including the prevention and detection of fraud and other irregularities.

## Audit progress and status

Our audit work is complete, pending receipt of the management representation letter and update of our subsequent events work to the date of signing the abstract. There are no matters identified on which we are required to report by exception. We anticipate issuing an unqualified opinion, following consideration and approval by the Board.

## Internal control, including recommendations

Our testing of the design and operation of financial controls did not highlight deficiencies. No significant control matters were identified in the current year which are to be brought to the attention of the Board.

**Recommendation one:** we selected and tested 33 records relating to patient property across three sites. In two instances, the valuables form was not countersigned by the ward staff, and in one instance the relevant valuables form was missing. Staff should be reminded of the relevant control expectations.

## Financial commentary

Patients' funds are held and administered on behalf of patients at hospitals in the Board's region. As at 31 March 2021 the total closing balance of funds held was £2.7 million (2019-20 £2.8 million). Receipts to and payments from patients both decreased compared to 2019-20. This report includes confirmation of our independence (appendix three).

## Action plan

This report includes a control recommendation above, being an area for development or improvement identified during our audit fieldwork. Recommendations raised would improve the control efficiency and effectiveness in the day to day management of patients' private funds. Responsibility for taking action and monitoring progress in response to all our recommendations lies with Board management.

## Acknowledgement

We wish to record our appreciation of the continued co-operation and assistance extended to us by your staff during the course of our work.

# Audit findings

Within this section we summarise our audit approach. We received a draft abstract prior to the start of our fieldwork, along with supporting working papers. Management provided high quality responses to our queries in a timely manner.

We highlight findings in respect of significant risks and other areas of audit focus.

Significant risks	Why	Audit findings
<b>Management override of controls fraud risk</b>	Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We performed tests of controls on a sample basis, introducing unpredictability. Our work did not identify any matters that required adjustment in the financial statements or which require to be brought to your attention.
<b>Fraudulent revenue recognition</b>	Professional standards require us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk.	We do not regard the risk of fraud in respect of income recognition to be applicable to the audit of the abstract as no income is received and patients' income is recorded on a receipts and payments basis.
Other areas of audit focus	Procedures	Audit findings
<b>Financial reporting</b>	Consider the impact of changes in the reporting format.	There have been no significant changes to the format or production of the abstract compared to prior periods.
<b>Site visits</b>	We focused our remote testing on three hospitals with physical site visit for testing of patient's valuable. This included Royal Alexandria, Royal Infirmary and Gartnavel.	No significant findings to note.
<b>Controls testing</b>	We performed key controls testing to confirm that the design and implementation of controls is effective and that these controls, on a sample basis, are operating effectively.	No significant exceptions were identified.
<b>Abstract of receipts and payments production</b>	Consideration of the abstract of receipts and payments production process.	The entries in the abstract were agreed to underlying source documentation.
<b>Testing of balances</b>	We tested and confirmed material or significant balances.	Substantive testing of material balances was undertaken. All material bank balances were compared to confirmations.
<b>Representations and opinion</b>	We will obtain representations before issuing our opinion.	Our unqualified audit opinion will be issued following receipt of these representations and the signed abstract.

# Mandatory communications

Area	Key content	Reference
<b>Adjusted audit differences</b> Adjustments made as a result of our audit	There were no audit adjustments required to the draft accounts which impacted on the abstract of receipts and payments.	-
<b>Unadjusted audit differences</b> Audit differences identified that we do not consider material to our audit opinion	We are required by ISA (UK) 260 to communicate all uncorrected misstatements, other than those which are trivial, to you.  There are no unadjusted audit differences.	-
<b>Confirmation of Independence</b> Letter issued by KPMG to the Board	We have considered and confirmed our independence as auditor and our quality procedures, together with the objectivity of the Audit Director and audit staff.	Appendix one
<b>Draft management representation letter</b> Proposed draft of letter	There are no changes to the standard representations required for our audit from last year. We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2021.	Provided to management
Other matters warranting attention by those charged with governance	There were no matters to report in respect of material weaknesses or questions of management integrity or fraud involving management.	-
Disagreement with management	There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditor's report. We encountered no difficulties in dealing with management in performing the audit.	-
Consultation with other accountants	To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year.	-
<b>Materiality</b> The materiality applied to audit testing	We assessed materiality based on our knowledge and understanding of the risk profile and abstract of receipts and payments balances. Materiality was determined at £54,000; approximately 2% of total assets. We designed our audit procedures to detect errors at a lower level of precision, i.e. £40,500, with errors greater than £2,700 reported to those charged with governance.	-
<b>Engagement leader</b>	Michael Wilkie	



# Appendices

## Appendix one

# Independence confirmation

To the Board of Trustees

### Assessment of our objectivity and independence as auditor of NHS Greater Glasgow and Clyde Patients' Private Funds

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity consideration relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

We will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability.

— Risk management

— Independent reviews

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the Board for professional services provided by us during the reporting period.

We have detailed the fees charged by us to the Board and its related entities for significant professional services provided by us during the reporting period in the attached appendix, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2021 can be analysed as follows:

	Current year £000	Prior year £000
Audit of Patients' Funds	10	10

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Board.

### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Members and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

*KPMG LLP*





KPMG LLP  
319 St Vincent Street  
Glasgow  
G2 5AS

25 October 2022

Dear Sirs,

This representation letter is provided in connection with your audit of the abstract of receipts and payments of patients' private funds ("the abstract") administered by Greater Glasgow and Clyde NHS Board for the year ended 31 March 2021, for the purpose of expressing an opinion as to whether the abstract for the year ended 31 March 2021 have been properly prepared, in all material respects, in accordance with the requirements of the NHS Board Accounts Manual.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Abstract**

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated *26 September 2019*, for the preparation of abstract which have been properly prepared, in all material respects, in accordance with the requirements of the NHS Board Accounts Manual.
2. All events subsequent to the date of the abstract for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

### **Information provided**

1. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the Abstract, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and

- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the Abstract.

3. The Board confirms the following:

The Board has disclosed to you the results of its assessment of the risk that abstract may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

4. The Board has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Board and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of abstract that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

5. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the abstract.
6. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the abstract, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the abstract.

This letter was tabled and agreed at the meeting of the Board of Directors on 25 October 2022.

Yours faithfully,

Colin Neil  
Director of Finance  
Date:

## **Appendix to the Board Representation Letter of NHS Greater Glasgow and Clyde Definitions**

**The NHS Board follows UK-adopted international accounting standards. As such all references to international accounting standards below apply subject to interpretation provided by the NHS Accounts Manual.**

### **Financial Statements**

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in IAS 1 paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with IAS 1 paragraphs 40A-40D.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

1. A person or a close member of that person’s family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.