Technical Guidance Note 2024/1

Module 13

Risks of misstatement specific to health boards in 2023/24

AUDIT SCOTLAND

Prepared for appointed auditors in the health sector

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Contents

Module 13 introduction

Purpose and use of this module

1. This module (at section 1) provides guidance on applying the other modules of TGN 2024/1 to the audit of the annual report and accounts of health boards.

2. Section 2 provides guidance on additional risks of misstatement specific to health boards and supplementary guidance on risks of misstatement that also apply to central government bodies in the following financial statement areas:

- Capitalisation thresholds for property, plant and equipment.
- Provisions for clinical and medical negligence claims.
- Calculation of early retirement provisions.
- Accounting treatment of: the GP Sustainability Loan Scheme; NHS endowments and integration joint boards (IJBs) in group financial statements; funding allocations; the NHS Pension Scheme; capital grants to other bodies; transactions with IJBs; income from service level agreements; and payments to independent primary care practitioners.
- Disclosure of the Summary of Resource Outturn (SoRO).

3. There is also supplementary guidance on the risks of misstatements in the following areas:

- Remuneration and Staff Report (section 3).
- Requirements for the Performance Report, Directors' Report, and Statement of Accountable Officer's Responsibilities (section 4).

4. The annual report and accounts of health boards are audited under section 86 of the National Health Service (Scotland) Act 1978 (the 1978 Act).

5. Boards are required under that section to prepare their accounts in accordance with a direction issued by Scottish Ministers. The accounts direction requires compliance with, not only the requirements of the 2023/24 Government Financial Reporting Manual (the FReM), but also the 2023/24 Manual for the Annual Report and Accounts of NHS Boards (the accounts manual). The accounts manual is prepared by the NHS Scotland Technical Accounting Group (TAG) and issued by the Scottish Government.

Change in risks in 2023/24

6. There is a new risk that the accounting treatment of income from service level agreements with other health boards is not appropriate.

7. There are changes in the guidance on the following risks:

- The accounting treatment of budget allocations is not appropriate.
- Performance Report is not in accordance with the accounts direction.

8. The following risks have been removed:

- Accounting treatment of personal protective equipment received at no charge is not appropriate.
- Disclosed agency arrangements are not complete.

Consulting with Innovation and Quality

9. Auditors should consult with Innovation and Quality (I&Q) by sending an email to TechnicalQueries@audit-scotland.gov.uk.

13.1: Application of other modules to health boards

10. The following tables summarise the application of the other modules of TGN 2024/1 to health boards, and either provide supplementary guidance on some risks of misstatement or indicate the section of this module in which it is provided.

Overview Module

11. All sections of the Overview Module apply to health boards.

Modules 1 to 9

12. Modules 1 to 9 apply to health boards. The following table refers to areas where supplementary guidance is provided at section 2:

Module	Supplementary guidance and action
Module 1 Property, plant and equipment	The NHSScotland Capital Accounting Manual 2023/24 (the CAM) is issued by the Scottish Government and interprets the accounting guidance contained in the FReM on capital accounting issues. Supplementary guidance is provided on capitalisation thresholds.
Module 2 Provisions, creditors and accruals	Supplementary guidance on clinical and medical negligence claims is provided.
Module 3 Financial assets	Supplementary guidance on the accounting treatment for the GP Sustainability Loan Scheme.
Module 4 Employee benefits	Supplementary guidance on early retirement provisions and the NHS Pension Scheme is provided.
Module 5 Group financial statements	Supplementary guidance on NHS endowments and IJBs is provided
Module 7 Grants and other income	Supplementary guidance on funding allocations and income from service level agreements is provided.
Module 8 Other financial statements areas	Supplementary guidance on capital grants, transactions with IJBs, payments to independent primary care practitioners and the SoRO note is provided.

Module 10 Remuneration and Staff Report

13. Module 10 applies to health boards. Supplementary guidance is provided at section 3.

Module 11 Statutory Other Information

14. All sections of Module 11 apply to health boards. The following table sets out where supplementary guidance is provided at section 4:

Section	Supplementary guidance and action
Section 1 Performance Report	Supplementary guidance on additional requirements is provided.
Section 3 Other statements	Supplementary guidance on the Director’s Report and Statement of Accountable Officer’s Responsibilities is provided.

13.2: Financial statement areas

Property, plant and equipment

Capitalisation threshold is not properly applied

15. The CAM (at paragraph 2.6.1) sets a capitalisation threshold of £5,000 for individual assets. Auditors should evaluate whether the health board has applied the specified threshold for new capital expenditure in 2023/24.

16. The CAM allows for the capitalisation of assets of lower than £5,000 if they form part of a group (e.g. defibrillators) provided all the criteria specified by the CAM at paragraph 2.7.1 for group assets are met. The specified criteria are summarised in the following table:

Criteria for group assets treatment
Group value in excess of £20,000
Items are functionally interdependent
Items are acquired at about the same date and are planned for disposal at about the same date
Items are under single managerial control
Each individual asset in the grouped asset has value of over £250

17. In addition, CAM paragraph 2.7.2 allows assets acquired in the course of the initial setting up of a new building or on refurbishment to also be treated as 'grouped' for capitalisation purposes. Examples where such an approach is likely to be applied are the following:

- Large collective networked system developments where individual items of computer hardware and/or software are purchased as part of a larger system.
- Where applying the threshold would result in an exceptional charge to the Statement of Comprehensive Net Expenditure (SoCNE) in the first year of a new hospital or strategy development, boards can capitalise such expenditure as a single 'equipping' asset with a useful economic life of up to 10 years.

18. Where the board has used the grouped assets approach in 2023/24, auditors should evaluate whether the assets satisfy the specified criteria.

Provisions, creditors and liabilities

Provision for outstanding clinical and medical negligence claims is not complete

19. Health boards may have legal claims in respect of clinical and medical negligence in progress that have not been settled by 31 March 2024. Boards are notified of the progress of all such claims by the Central Legal Office (CLO) under the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The CLO categorise the level of risk relating to the settlement of each claim. Boards should assess the likely outcome of all claims but, as a general rule, page 76 of the accounts manual expects boards to account for cases in accordance with the following table:

Category	Recognise as provision	Disclose as contingent liability
3	100%	-
2	50%	50%
1	-	100%

20. I&Q will undertake a review of the work carried out by the CLO to establish the extent to which the information prepared by the CLO, as a management expert, can be used as audit evidence under ISA (UK) 500. An assurance report arising from the review is scheduled for May 2024.

21. Auditors should evaluate whether:

- a provision has been recognised for outstanding clinical and medical negligence claims if it is more likely than not that a present obligation exists at 31 March 2024 and the other recognition criteria are also met; or
- a contingent liability has been disclosed if it is more likely that a present obligation does not exist.

Provision for outstanding clinical and medical negligence claims are not properly measured

22. The amount recognised as a provision should reflect the full amount notified by the CLO. The accounts manual (page 125 to 126) explains that it should exclude CLO fees and outlays notified which should be charged to the SoCNE when incurred.

23. Payments for some claims are paid over a period of time rather than as a one-off lump sum. Periodic payments should be discounted where the time value of money has a material effect. The payments are also subject to inflationary increases which should also be reflected in the provision.

24. Auditors should evaluate whether the provision for outstanding clinical and medical negligence claims at 31 March 2024 is properly measured

Reimbursements for clinical and medical negligence claims are not properly presented

25. Health boards are responsible for meeting medical negligence costs up to a threshold of £25,000 per claim, and costs above that are reimbursed as part of CNORIS. In cases where the board will be reimbursed, auditors should evaluate whether:

- reimbursement related to provisions has been recognised as a debtor at 31 March 2024
- the board has disclosed the expected reimbursement as a contingent asset where reimbursement is for cases disclosed as a contingent liability.

Provision for funding CNORIS is not complete

26. CNORIS is funded by all boards contributing a share of the total value of obligations. The accounts manual requires boards to recognise a provision for their expected contribution. Further guidance is provided by the Scottish Government who also provide each board with information on the amount of the provision to be recognised.

27. I&Q will evaluate the appropriateness of the methodology adopted by the Scottish Government to establish the total national liability for CNORIS at 31 March 2024. An assurance report arising from the review is scheduled for May 2024.

28. Auditors should evaluate whether:

- the board has recognised a provision for their expected contribution to CNORIS as at 31 March 2024
- the provision is complete and free from misstatement.

Financial assets

Accounting entries for soft loans advanced at initial recognition are not appropriate

29. Loans by health boards under the GP Sustainability Loan Scheme should be accounted for as soft loans. Chapter 12 of the CAM provides guidance but in summary all GP contractors who own their premises are eligible under the scheme to receive an interest-free secured loan from their health board of up to 20% of the existing-use value of their premises.

30. Loans are repaid when the premises cease to be used for providing primary medical services under a contract with a health board or when they are sold, whichever comes first.

31. The loan should be recognised as a soft loan in the board's financial statements at the date the agreement is signed by both parties. The loan period should be assumed to be 20 years.

Employee benefits

Accounting policy for the NHS Pension Scheme is not appropriate

32. Most employees of health boards are members of the NHS Pension Scheme, which section 8.2 of the FReM requires to be accounted for on a defined contribution basis.

33. Auditors should evaluate whether the NHS Pension Scheme has been accounted for on a defined contribution basis in 2023/24.

Provision for early retirements is not properly measured

34. Additional pension liabilities arising from early retirements are not funded by the NHS Pension Scheme except where the retirement is due to ill-health. Boards are therefore required to recognise a provision for the actuarial cost of early retirements to the extent not met by the scheme in accordance with IAS 19 Employee Benefits.

35. When calculating the provision, page 125 of the accounts manual requires boards to use the life expectancy tables for Scotland provided by the Office for National Statistics.

36. Auditors should evaluate whether the board has used the life expectancy tables for Scotland when estimating the provision at 31 March 2024.

Group financial statements

Entities in which the board has an interest are not identified

37. IFRS 10 applies in full to health boards without adaptation. When assessing whether the board has identified all the entities in which it has interest, it is expected that this will apply in practice only to NHS endowment funds and IJBs.

The accounting treatment of NHS endowment funds is not appropriate

38. NHS endowment funds were set up under the 1978 Act. Health boards control endowment funds for accounting purposes and therefore should account for them as subsidiaries.

39. As endowment trustees are also board members, health boards and endowment funds effectively operate under common control for accounting purposes. The endowments therefore should normally be consolidated into group financial statements on a merger accounting basis. However, endowment funds vary in size at individual boards, and page 65 of the accounts manual allows the option of not consolidating where the board's interest is not considered to be material.

40. Auditors should evaluate whether the board has accounted for endowments in 2023/24, where its interest is material, by:

- aligning the accounting policies of the endowment fund with the policies of the board for the purposes of the group financial statements

- combining like items of assets, liabilities, reserves, income, expenses and cash flows
- eliminating intra-group transactions and balances on consolidation.

41. Where consolidation has not been undertaken for 2023/24, auditors should evaluate whether it is reasonable to conclude that the board's interest in the endowment is not material. Auditors are expected to start from a presumption that the requirements for group financial statements should be followed, unless the board can demonstrate that its interests are clearly not material. Auditors should evaluate whether the board has:

- focussed on the potential effect of non-consolidation on the decisions or assessments of users made on the basis of the financial statements
- satisfied itself that the principal users of the financial statements would be able to see the complete economic activities of the board and its exposure to risk
- demonstrated that the board's overall financial position or performance has not been misrepresented
- assessed the qualitative aspects of materiality judged in the surrounding circumstances before considering the amounts involved.

Information on endowment funds are not properly disclosed

42. Auditors should evaluate whether:

- information on consolidation adjustments in respect of endowment funds is disclosed in a note (note 26 in the accounts manual) in 2023/24.
- the disclosures are complete, clear, concise and free from misstatement.

43. Where consolidation is not required for 2023/24 (due to materiality), auditors should evaluate whether:

- the fact that the endowment has not been consolidated on the basis of materiality has been disclosed in a note (note 1 in the accounts manual)
- relevant information has been disclosed in the note on related party transactions (note 24 in the accounts manual).

The accounting treatment of interests in IJBs is not appropriate

44. While it is expected that health boards will have joint control over IJBs with councils, auditors should evaluate whether the board has taken into account the IJB's operation in practice when forming its judgement.

45. Where joint control exists, and the interest is material, auditors should evaluate whether the board has accounted for its IJBs as a joint venture in 2023/24.

Information on IJBs is not properly disclosed

46. IFRS 12 Disclosure of Interests in Other Entities (at paragraphs 20 and 21) requires a board to disclose the nature, extent and financial effects of its interest in an IJB. Auditors should evaluate whether:

- information on IJBs required by IFRS 12 has been disclosed in the notes (note 26 in the accounts manual) in 2023/24
- the disclosures are complete, clear, concise and free from misstatement.

Grants and other income

The accounting treatment of budget allocations is not appropriate

47. The Scottish Government issues allocation letters each year which provide boards with the authority to spend in accordance with the budget approved in Parliament up to their Revenue Resource Limit (RRL). Each board is provided with a core RRL and a non-core RRL (for non-cash items such as depreciation). These are referred to as budget allocations but they are in substance grant in aid and should therefore be accounted for in accordance with the FReM.

48. Some allocations may be earmarked or ring fenced for particular purposes but they should still be treated as grant in aid (rather than grant) and accounted for accordingly, unless the Scottish Government has agreed otherwise.

49. Auditors should evaluate whether allocations in 2023/24 have been recognised as grant in aid; or there is evidence that the Scottish Government has agreed to another basis.

The accounting treatment of other funding is not appropriate

50. Other than budget allocations from the Scottish Government, all funding provided by NHSScotland bodies, including cross boundary funding for unplanned activities and funding to cover the provision of specified services by agreement with other NHSScotland bodies, should be recognised as income. This includes income (other than RRL funding) received from the Scottish Government, e.g. to cover the salaries of secondees.

51. Auditors should evaluate whether all funding in 2023/24 (other than budget allocations) has been recognised as income in accordance with IFRS 15.

The accounting treatment of income from service level agreements with other health boards is not appropriate

52. Boards deliver a number of services to patients on behalf of other health boards under annual service level agreements (SLA). The SLA represents a contract between the board providing the services (the provider board) and the boards in receipt of the services (the receiver boards), and payment is based on the terms of the SLA. In line with IFRS 15:

- The provider board is required to identify at the inception of the contract each performance obligation within the contract.

- Income should be recognised when the board satisfies each performance obligation.
- Where a performance obligation is satisfied over time (for example, where a board has delivered a percentage of the activity required), income should be recognised by measuring the progress towards complete satisfaction of that performance obligation.
- Where the board has not delivered the full activity under the SLA by the year end, the board should recognise any shortfall in activity as a contract liability (deferred income).

53. The accounts manual has been amended in 2023/24 to set out arrangements where the SLA is not operating effectively or is in dispute. Page 93 explains that where the provider board and receiver boards are unable to agree an amendment to the SLA, and with the agreement of all parties, the Scottish Government will apply a funding allocation for the respective SLA amounts. The impact of this would be a reduction in expenditure and funding to the receiving boards in receipt of services with a corresponding increase in funding to the provider board.

54. Auditors should evaluate:

- whether boards have properly recognised income, and any liability or asset, arising from service level agreements in 2023/24
- whether boards have properly recognised a funding adjustment where they have been unable to agree an amendment to the SLAs.

The accounting treatment of income from research and development contracts is not appropriate

55. Health boards have a number of clinical research and development (R&D) contracts where patients are enrolled, and the boards assess and report the patients' reaction to treatment. TAG guidance on R&D income covers three aspects of these contracts as summarised in the following table:

Aspect	Summary of guidance
Accounting for staged payments	As the board has an enforceable right to payment for performance completed to date, the performance obligation is regarded as satisfied over time. Income and expenditure should be recognised and presented gross as the contract progresses.
Treatment of surplus on commercial contracts	A liability should be recognised at 31 March for the element of any surplus due to external partners (e.g. universities). Any internal recharges (e.g. reallocation to a different budget head within a board) should not be recognised in the balance sheet.

Aspect	Summary of guidance
Recovering costs on infrastructure support and capacity building	An asset should be recognised at 31 March where such costs are expected to be recovered.

56. Auditors should evaluate whether boards have properly recognised income, and any liability or asset, arising from clinical R&D contracts in 2023/24.

Other financial statement areas

Recognised capital grants are not complete or did not occur

57. A capital grant is an unrequited transfer payment from a health board to another public body which is required to use the grant to procure or improve assets from which the board's residents will benefit. Additional guidance on capital grants is provided in chapter 10 of the CAM.

58. Auditors should evaluate whether the board has identified payments during 2023/24 where:

- grant has been paid to other public bodies
- the body has agreed to use the grant for specific purposes that meet the definition of capital expenditure; and
- it can be demonstrated that the capital expenditure contributes to the achievement of the board's objectives.

59. When making this evaluation in 2023/24, auditors should be aware that it would be inappropriate for boards to treat the following payments as capital grants:

- A payment in respect of a property considered to represent prepayment of lease rental; this should instead be accounted for in accordance with IFRS 16 Leases.
- A payment to a primary care practitioner where the expenditure to be funded is less than the £5,000 capitalisation threshold (unless they qualify to be treated as grouped assets).
- If the board has ownership of the asset or uses it directly, any upfront payment should be treated as a capital contribution or prepayment for the service. However, it may be appropriate to treat a contribution at the outset of a project as a capital grant if the asset is owned by a third party and not used directly by the board.
- Ongoing revenue payments in respect of resource transfer accommodation, which are the equivalent of rental payments.

Capital grants are not properly accounted for

60. Capital grants should be accounted for as revenue expenditure in the SoCNE but charged against the non-core RRL. Auditors should evaluate whether capital grants for 2023/24 have been:

- included as revenue items charged to the SoCNE
- deducted from the charge against the core RRL and added to the charge against the non-core RRL in the SoRO.

Amount set aside for hospital services are not properly calculated

61. IJBs are responsible for the strategic planning of hospital services most commonly associated with emergency care. Health boards are required to calculate in accordance with guidance issued by the Scottish Government an amount 'set aside' for the provision of these delegated services and advise the IJB accordingly. The resource 'set aside' is within the control of the IJB and should be included in the overall funding contribution.

62. The extent of compliance with the guidance varies across health boards. As an extended transitional arrangement, the Scottish Government continues to allow health boards and IJBs to agree a figure for the sum set aside based on the budget to be included in the financial statements.

63. Auditors should evaluate whether the board has calculated the 'set aside' for relevant services for 2023/24 in accordance with the guidance. Where that is not the case, auditors should evaluate whether the amount has been agreed with the IJB.

Total IJB contribution is not disclosed

64. Note 3 includes a line disclosing the contribution of the health board to the IJB. Where amounts provided to the IJB by the health board are included in other lines within note 3 (e.g. resource transfer), the accounts manual requires the total contribution to the IJB to be disclosed and explained as a footnote.

IJB overspends are not properly accounted for

65. Where an IJB anticipates that it will overspend for 2023/24, the integration scheme will set out the arrangements for how it should be met. The integration scheme may require additional funding from the health board either in 2023/24 or in future years. The following table sets out the required accounting treatment:

Funding overspend	Treatment
Additional 2023/24 funding	IJB recognises a debtor (eliminating the deficit) and the health board (and councils) recognise a creditor at 31 March 2024 (assuming payments not made before that date)

Funding overspend	Treatment
Additional funding in future years	No recognition of debtor (IJB shows a deficit) or creditor by the health board as future funding cannot be anticipated

66. Where an IJB has an overspend at 31 March 2024, auditors should evaluate whether the health board:

- has accounted for its share of additional funding in accordance with the integration scheme
- has recognised a creditor for any additional 2023/24 funding to the IJB outstanding at 31 March 2024
- has not recognised any amounts related to additional funding in future years.

Payments to independent primary care practitioners are not complete or did not occur

67. Health boards make payments to independent primary care practitioners for dental, ophthalmic and pharmaceutical services and to GP practitioners in respect of prescriptions. The payments are processed and made by NHS National Services Scotland (NSS) on behalf of the individual boards.

68. NSS undertakes verification checks before and after the payments have been made in accordance with DL(2023)24 Revised Payment Verification Protocols.. The results of these verification checks are communicated to boards throughout the year.

69. NSS procures a service auditor report from PwC which will be issued in May 2024 to the health boards concerned. The external auditor of the NSS will review the work of the service auditor and report the results of the review to auditors of health boards.

70. When evaluating whether primary care expenditure is free from misstatement in 2023/24, auditors should consider the results of the payment verification reports and assurance reports.

SoRO is not properly disclosed

71. Page 11 of the accounts manual requires health boards to disclose in the SoRO note their total expenditure charged against the core and non-core RRL.

72. The SoRO should disclose net expenditure in the SoCNE, with the following deducted from it:

- Non-core expenditure.
- Non-discretionary expenditure on family health services (as funding for non-discretionary expenditure is not included in the RRL).

- Endowments fund’s net expenditure (where consolidated).
- Associates and joint ventures accounted for on an equity basis to ensure only board expenditure is considered.

73. Auditors should evaluate whether:

- information in the SoRO for 2023/24 has been properly disclosed
- items included in the non-core RRL, non-discretionary expenditure, and the net expenditure of the endowment fund and associates and joint ventures (i.e. IJBs) are properly deducted from net expenditure
- the SoRO is free from misstatement.

13.3: Remuneration and Staff Report

Remuneration information is not accurate

74. Pages 24 to 30 of the accounts manual set out the requirements for disclosing the remuneration of board members and other senior employees. A proforma for the disclosure is provided on page 33.

75. Page 26 to 27 requires any payment for compensation on early retirement or for loss of office made under the terms of an approved compensation scheme to be disclosed. It requires disclosure of:

- a description of the compensation payment
- details of the total amounts paid.

76. Page 30 provides guidance on cases where the movement in the value of the pension benefit component of the total remuneration figure is negative. It requires the value to be expressed as zero, i.e. negative values should not reduce the total remuneration figure.

Information on fair pay is not properly disclosed

77. Pages 36 and 37 of the accounts manual provide guidance, including a proforma, on the disclosure of the information on fair pay required by the FReM.

78. The accounts manual is clear that agency staff are excluded from the calculation. This is because they are not employees on the payroll and instead their service is charged for by invoice. However, this is contrast with the guidance from the Treasury which requires agency staff to be included. In the interests of consistency, and because it is more specific guidance, I&Q recommends that boards follow the accounts manual and exclude agency staff.

79. In either case, auditors should evaluate whether the board has clearly disclosed the approach adopted in 2023/24.

13.4: Statutory other information

Performance Report is not in accordance with the accounts direction

80. The accounts manual sets out requirements for the Performance Report on pages 8 to 13. The accounts manual applies the following requirements of the FReM to health boards that would not otherwise be applicable in Scotland:

- A short summary explaining the purpose of the overview section.
- A statement from the Chief Executive providing their perspective on performance.
- Non-financial information including social matters, respect for human rights, anti-corruption and anti-bribery matters and diversity.
- Information on sustainability reporting using wording set out on pages 11 and 12 of the accounts manual.

81. The accounts manual also requires the following information to be included in the Performance Report:

- Details of events after the reporting period.
- Information on the payment of suppliers using wording set out at page 11 of the accounts manual.
- Disclosures on reporting performance against financial targets using wording set out in the accounts manual.

82. Boards are required to meet the following financial targets:

- Revenue expenditure to remain within the RRL (as explained in section 2).
- Capital expenditure to remain within the CRL, which relates to capital expenditure on both a board's own non-current assets (core) and any service concession arrangements (non-core).
- Cash requirement, which is the total cash drawn to fund the cash consequences of ongoing operations and new capital investment.

83. In 2019/20, the Scottish Government planned to monitor achievement of the financial targets over a three-year period, and consider the target to be met even if a board overspends (or underspends) up to 1% of the limit on annual basis.

84. However, due to the impact of the COVID-19 pandemic, the Scottish Government paused the three-year monitoring up to 2022/23. Additional funding was provided to support in-year financial balance. Notwithstanding the pausing of the three-year monitoring, the financial targets continued to apply.

85. For 2023/24 onwards, the Scottish Government has resumed the formal three-year financial monitoring cycle. The 2023/24 accounts manual provides suggested wording for boards to report the performance against the financial target on pages 10 to 11.

86. As a result of the accounts manual’s different requirements for a Performance Report, a checklist specific for health boards is provided at Appendix 1 to this module which auditors should use when carrying out test procedure 2 set out in Module 11.

Directors' Report is not in accordance with the accounts direction

87. The accounts manual sets out its requirements for the Directors' Report on pages 14 to 17. In addition to the requirements of the FReM, the accounts manual also requires health boards to include the following in the Directors' Report:

- the authorised for issue date
- information on the appointment of auditors
- a Statement of Board Members' Responsibilities
- third party indemnity provisions
- information on non-audit work
- confirmation of the disclosure of information to auditors.

Statement of Accountable Officer's Responsibilities is not in accordance with accounts direction

88. As indicated above, the accounts manual requires confirmation of the disclosure of information to auditors to be included in the Directors' Report. This contrasts with the FReM which requires this item to be included in the Statement of Accountable Officer’s Responsibilities.

89. Where a board follows the accounts manual's approach in 2023/24, auditors should confirm that there is a cross-reference from the Statement of Accountable Officer’s Responsibilities.

Appendix 1: Checklist – content of Performance Report

Required item	Yes/No/N/A
Performance Overview	
1 A short summary explaining the purpose of the overview section.	
2 A statement from the Chief Executive providing their perspective on the performance of the board for 2023/24.	
3 A statement of the purpose and activities of the board including a brief description of the business model and environment, and organisational structure.	
5 A summary of the board's strategic objectives and goals.	
6 A summary of the principal risks faced and how these have affected the delivery of objectives, how they have changed, how they have been mitigated and any emerging risks that may affect future performance.	
7 Explanation of the adoption of the going concern basis where this might be called into doubt.	
8 A summary performance appraisal, providing a synopsis of the performance analysis section, and detailing whether performance has met expectation, including an explanation if performance is below expectation.	
Performance Analysis	
9 Objectives and progress made against them, using unbiased indicators, incorporating qualitative, quantitative and prior year information.	
10 Trend information in indicators.	
11 A financial review, detailing financial performance using any further key financial indicators or measures.	
12 Information on the risk profile in relation to performance, including detail on • future plans, • expected future performance • anticipated changes in the structure or strategic objectives.	
13 Non-financial information including social matters, respect for human rights, anti-corruption and anti-bribery matters; and diversity.	

Required item		Yes/No/N/A
14	An explanation of performance against financial targets.	
15	Information on the payment of suppliers.	
16	Information on sustainability reporting.	
17	Details of events after the reporting period.	

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