

NHS Lothian  
Estates & Facilities GP  
SLA Service Charges

Internal Audit Report - Final  
March 2026

Level of assurance:

Design	Limited
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Effectiveness	Limited
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## RESTRICTIONS OF USE

The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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# Executive Summary

Level of assurance: (see appendix II for definitions)		
Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved.
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk.

Summary of findings			# of agreed actions
H	2		2
M	4		3
L	4		4
Total number of findings: 10			

## Background

It was agreed as part of the 2025-26 Internal Audit Plan that Internal Audit would conduct a review of the arrangements around Estates & Facilities service provision to GP Practices, and the subsequent need to reimburse NHS Lothian for said services.

GP Practices pay NHS Lothian for facilities services, particularly (but not solely) where the Practice operates from a building owned or leased by the Health Board. GP payments or reimbursements relate to services and costs associated with the building, including:

- Heating and lighting;
- Cleaning;

- Building maintenance and repairs;
- Security;
- Water and waste disposal; and
- Statutory compliance (e.g. fire safety, asbestos monitoring).

NHS Lothian are currently providing services to 64 practices.

The 2018 Scottish GP Contract aimed to reduce the risk and responsibility for GPs owning premises, shifting ownership or long-term leases to Health Boards and moving towards standardised premises provision, however this has led to mixed outcomes. At NHS Lothian, it was found that the gap between payments received and services provided by NHS Lothian was in excess of £1.6m per year. It was decided that the Health Board would increase charges over three years to fund the gap at 50% in year one, 75% in year two and 100% in year three. In 2024, NHS Lothian moved to standardise and increase facilities service costs, however; a number of practices have disagreed with the level of increases and formal disputes around the Service Level Agreements are ongoing.

A Short Life Working Group has been established to bring more consistency and transparency to the facilities support payments.

In order to make the charging process more transparent, NHS Lothian have developed a new SLA which they are asking Practices to sign up to. Costs are attributed based on floor space allocation. NHS Lothian meets with practices on a quarterly basis to discuss the charges and there is the option to go through an appeals process in relation to the transition arrangements if required.

## Purpose

The purpose of this review was to provide assurance to management and the Audit and Risk Committee that the controls managing facilities service payments are effective. This review considered processes around identification, communication and collection of charges.

## Conclusion

We have noted in this report the significant progress to date made by staff in implementing a robust framework around the identification of charges to be levied against practices, communication to practices from the outset and during the recovery timeframe. A number of procedural and administrative controls have been introduced to support management and staff to monitor NHS Lothian’s own performance under the terms of the SLA, alongside the actions taken by practices to agree to the terms of the SLA and associated invoices.

The introduction of a formal appeals process has also been noted, facilitating the transitional arrangements and providing practices with a means of appealing alongside the dispute of charges. We also note that a number of practices have advised the Director of Estates & Facilities that they do not accept the terms of the SLA.

However, Given the intended outcome of the new GP cost recovery process is to recoup the actual costs of service provided by NHS Lothian to GPs; the effectiveness of the process is ultimately measured by the gap between the cost of services as determined under the SLA, and the value of services invoiced.

We identified nine findings in total: two of high significance, four of medium significance, and four of low significance. Firstly, despite the processes and governance arrangements in place, a significant amount of invoices remain unpaid, alongside this, no risk register has been prepared to consider the financial, operational, reputational and service delivery risks as a result of the introduction of the new SLA. Findings are noted around the absence of a suite of operational procedures, clear identification and allocation of roles and responsibilities, the recording of routine practice meetings, and agreed metrics for performance reporting.

We can provide limited assurance over the design and operational effectiveness of controls in place to manage the GP SLA Service Charges within NHS Lothian.



# Executive Summary

## SUMMARY OF GOOD PRACTICE

We noted a number of areas of good practice being demonstrated at the organisation in relation to the GP SLA Service Charges. These include:

- ▶ All practices were written to by the Director of Estates and Facilities in February 2024, outlining the transition period arrangements and how the Board would phase in the cost increases over the following two years to achieve the full cost recovery for service provided.
  - ▶ The SLA 'Pack' issued to all applicable Practices in November 2024 included a GMS Premises Responsibility Matrix for all NHS Lothian Owned and Leased Property, listing the various cost items qualifying under the terms of the SLA alongside Practice/NHS Lothian responsibilities and the recharge arrangements for each.
  - ▶ Estates & Facilities have created a spreadsheet recording the roles and responsibilities for the SLA cycle stages, which includes service delivery, invoicing, quarterly review meetings, post meeting actions and changes to/termination of the SLA. The various tasks relating to the stages have been assigned in the document to appropriate members of staff.
  - ▶ Action trackers have been created to ensure that there is routine review and discussion around the activities and progress in implementing the terms and conditions of the SLA, including:
    - SLA Team Operational Tracker - helpdesk
    - SLA Team Quarterly Practice Meetings - Action Tracker
    - Quarterly Meetings Calendar and Workflow Tracker
    - Finance/Debtors Request form Verification Tracker
  - ▶ The criteria used in the calculation of services charges are appropriate and have been communicated to the GP Practices. Estimates are initially calculated using historical practice data, applying necessary uplifts thereafter. Routine reconciliation exercises are then carried out to determine actual costs throughout the year, raising additional invoices/credit notes as appropriate and sharing actual costs with Practices along with accompanying evidence.
- ▶ A Standard Operating Procedure has been prepared to establish a standardized procedure for apportioning solely occupied areas and pro rata allocation of common areas in a building, in line with the Royal Institution of Chartered Surveyors (RICS) standards for measurement and in compliance with previously issued NHS Scotland publications.
  - ▶ Information prepared and provided to the GP practices in relation to the SLAs and cost recovery is clear and comprehensive, allowing practices to consider fully the reasoning behind the charges and their responsibilities in ensuring that appropriate arrangements can be made to meet their individual financial responsibilities. Issuing invoices for the three distinct areas under the terms of the SLA is also appropriate and a positive approach for the Board to recover as much as possible out with the SLA appeals process.
  - ▶ A schedule of quarterly meetings is in place to ensure that estates SLA contract staff are routinely meeting with practice representatives to discuss the SLA service; a crib sheet has been prepared with appropriate topics to cover in these meetings.
  - ▶ A three-stage appeals process has been established for the transition period through which practices can raise a dispute and pursue an appropriate resolution. Expected timescales for the process have been documented. Noting the complexity around the nature of the practice appeals the process appears to be operating reasonable effectively. Delays to responses and meetings are the result of the rapid roll out of the recovery initiative and processes being not yet embedded, alongside the complexity around specific appeals; where there were exceptions found with adherence to the standard process, these were accompanied with satisfactory explanations
  - ▶ Invoices issued were found to be clear as to which element of the SLA services the invoice related to.
  - ▶ It is noted that routine financial reporting is taking place, identifying the turnover to date and outstanding debt, alongside the routine review of the SLA Tracker by the SLWG. While it is noted that there is a large amount of current (FY 25/26) and historical debt, a GP Debt Recovery Committee has been established to take forward agreed recovery initiatives.



# Executive Summary

## SUMMARY FINDINGS

Notwithstanding the areas of good practice noted, we have also identified areas where further improvements can be made, the most significant of which are summarised below:


- ▶ **Risk Management**- From the outset of the current cost recovery exercise, the risk of limited or no acceptance of the cost increases was noted. Reasons cited (in addition to historic practice of ‘subsidies’) were low satisfaction with the service provided, limited understanding of statutory obligations of practices and ‘issues’ with previous cost recovery processes. In August 2023 proposals were put forward to the CMT that recognised the need for a ‘clear view’ and position in the instance of no/limited engagement and/or payment. However, no defined position can be identified in subsequent CMT papers or within Estates & Facilities stratifying the risks associated with this exercise.
- ▶ **Collection of Charges**- It is clear from analysis of the information available that the Board is not receiving regular and complete payment from GP Practices in relation to the SLA arrangements, despite the routine invoicing and reporting activities to advise Practices of their obligations and requirement for settlement. It’s also noted that accounts receivable are not routinely advised of disputed invoices.
- ▶ **Policies and Procedures** - While a Standard Operating Procedure has been prepared to establish a standardised procedure for apportioning solely occupied areas and pro rata allocation of common areas in a building, no additional procedures have been developed internally to guide staff for example on the identification and calculation of charges, reconciliation of actual against estimated costs, assessment of completed works, and the invoice raising and approval activities. Furthermore, while we recognise that the quarterly meeting crib sheet prompts discussion around any anticipated changes, no schedule appears to be in place to take forward the annual inspections and review for the allocation of sole and shared business space within practices.
- ▶ **Roles and Responsibilities** - Reviewing the roles and responsibilities spreadsheet has noted that the Band 5 Finance role (F5) remains unfilled resulting in a number of support tasks having been absorbed entirely by the Band 5 and Band 6 Contract Managers.
- ▶ **Performance and Reporting** - While it is noted that routine financial reporting is taking place, identifying the turnover to date and outstanding debt, alongside the routine review of the SLA Tracker by the SLWG, no other performance metrics have been agreed or are in place to monitor performance and routinely report against these. The various trackers in use are a useful tool to determine performance, identify trends or patterns (such as barriers to payment), however they are not being used in a meaningful way to address common issues and implement measurable corrective actions to address them.
- ▶ **Practice Meetings**- The tracker for the quarterly practice meetings indicates that there are a number of issues around meeting with practices and accurately recording when the meetings have not taken place. Delays to the production of meeting minutes has also been noted.

# Detailed Findings



# Detailed Findings


**Risk: If risk management processes fail to identify or mitigate financial, legal, or reputational risks related to facilities support payments, NHS Lothian could face significant challenges that impact its operations and stakeholder trust.**

Finding 1 - Risk Management			Type
<p>From the outset of the current cost recovery exercise, the risk of limited or no acceptance of the cost increases was noted. Reasons cited (in addition to historic practice of ‘subsidies’) were low satisfaction with the service provided, limited understanding of statutory obligations of practices and ‘issues’ with previous cost recovery processes. In August 2023 proposals were put forward to the CMT that recognised the need for a ‘clear view’ and position in the instance of no/limited engagement and/or payment.</p> <p>The potential impacts of this risk were identified to be termination of (GP) contracts (with the Board assuming responsibility for running the practice under 2C arrangements whereby the Health Board directly manages the GP practice as opposed to the GP operating as an independent contractor under a General Medical Services contract); requirement to redistribute patient lists to other practices; with subsequent access to GP appointments manifesting in wider system pressures. In addition, legal challenge (by practices) and formal complaints were also noted to be a risk.</p> <p>However, no defined position can be identified in subsequent CMT papers, including no attempt to stratify the risks associated with this exercise.</p> <p>Throughout the process, it appears that Estates &amp; Facilities have taken the view that the absence of a finalised SLA document should not affect transitional arrangements for cost recovery, while also identifying the risks above and the fact that it ‘complicates’ implementation. Again, limited evidence was found regarding risk mitigation strategies that could be enacted by the Board.</p>			<p>Design</p> 
Implication			
Without appropriate risk recording and mitigation activities, there is an increased likelihood that the barriers to the recovery process are not adequately identified and addressed.			High
Recommendations	Action owner	Management response	Completion date
It is recommended that a full and comprehensive risk exercise is completed to identify and quantify all risks associated to the SLA transitional arrangements, including operational performance, financial recovery and stakeholder management. Suitable risk mitigations should be agreed, documented and implemented.	E&F Programme Manager	A formal E&F SLA risk management framework will be established, including a live Risk Register with defined mitigations, with regular reporting to E&F SMT and oversight through SLWG.	End of April 2026



# Detailed Findings

**Risk: If invoicing and payment procedures for Estates & Facilities GP SLA Service Charges are flawed or debt management is ineffective, it could lead to delayed collections, increased bad debt, and financial instability for NHS Lothian.**

Finding 2 - Collection of Charges	Type
<p>Review of the SLA Tracker that is routinely presented to the SLWG has noted the following for all practices and the charges associated with the SLA transitional arrangements:</p> <ul style="list-style-type: none"> <li>• 20 Practices are paying nothing for 2025/26</li> <li>• 13 Practices are paying nothing for 2024/25</li> <li>• 16 Practices are paying the old amount in relation to their 2025/26 invoices</li> <li>• 22 practices are paying the old amount in relation to their 2024/25 invoices</li> <li>• 27 practices are paying the new amounts for 2024/25 and 2025/26</li> </ul> <p>As a result of this, it is clear from analysis of the information available that the Board is not receiving regular and complete payment from GP Practices in relation to the SLA transitional arrangements, despite the routine invoicing and reporting activities to advise Practices of their obligations and requirement for settlement.</p> <p>The Turnover Report from 31 December 2025 and for this financial year has reported outstanding balances totalling £1,097,086.03. The debtors report also prepared in December has recorded all current debt associated with the 2024/25 SLAs at £184,156.01. Internal Audit have noted however that it had been advised by the Director of Primary Care that practices are not pursued for payment. Also, we were made aware that advice given to Practices by the Lothian Local Medical Committee (LMC) varied from paying previous year's amounts or nothing at all while in dispute and that Practices are awaiting legal advice in relation to the SLA. Also, we were advised that 35 practices had as a group notified the Director of Estates &amp; Facilities that they do not agree with the terms of the SLA.</p> <p>In response to this a GP Debt Recovery Committee (GPDRC) has been convened to address practice debt and agree ways forward for recovery activities. Membership of the Group is:</p> <ul style="list-style-type: none"> <li>• Finance Manager (O2C)/Fraud Liaison Officer</li> <li>• Land &amp; Property Manager</li> <li>• Associate Director of Operations - Facilities</li> <li>• Assistant Head of Finance</li> <li>• E&amp;F Programme Manager</li> <li>• Accounts Receivable Team Leader</li> </ul> <p>The GPDRC has met only twice to date and have agreed that its focus in the first instance will be to address the most historical debt amounts. It is also noted that there is no representative from PCCO on the Committee, despite their inclusion in the routine financial reporting.</p>	<p>Design</p> 
<b>Implication</b>	<b>Significance</b>
Without an agreed and effective means of collecting outstanding amounts owed to NHS Lothian under the terms of the SLA, there is an increased likelihood that the Board is unable to recover all monies owed to it under the terms of the SLA and the transitional arrangements.	High



## Detailed Findings


**Risk:** There may not be effective oversight to ensure compliance with the changes, leading to reputational damage and legal action against NHS Lothian.

Finding 2 - Collection of Charges - continued			Type
Recommendations	Action owner	Management response	Completion date
It is recommended that a representative from PCCO is invited to join the GPDRC to assist in the development and implementation of strategies to recover the outstanding debt from Practices.	E&F Programme Manager	Primary Care engagement within the GPDRC will be strengthened through formal representation and consistent input into the debt recovery strategy.	End of March 2026



# Detailed Findings


**Risk: Inadequate policies and procedures might be misinterpreted, leading to incorrect charges and potential financial discrepancies for NHS Lothian.**

Finding 3 - Policies and Procedures			Type
<p>On the 12 November 2024 the Director of Estates and Facilities wrote to all relevant practices providing them with a ‘pack’ of detailed documents related to the NHS Lothian Estates and Facilities SLA. This included a Standard Operating Procedure (SOP) for allocating sole and shared business space. The SOP applies to all staff measuring and allocating building spaces, including property managers, contact manager surveyors, and facilities management teams. It is noted from the SOP (under Regular Inspections) that ‘annual inspections and review should be conducted jointly with tenants/premises managers to ensure the accuracy of space usage and allocation’, updating measurements and allocations as necessary.</p> <p>Management noted that there is a prompt within the quarterly review meeting crib sheet to discuss any anticipated changes; however, no schedule is in place to take forward the annual inspections and review, as per the SOP, for allocating sole and shared business space.</p> <p>Also, no SOPs or other procedural documents are in place governing for example:</p> <ul style="list-style-type: none"> <li>• The formal appeals process (responsibilities, review, monitoring and reporting)</li> <li>• Calculation of charges in relation to Hard FM and Soft FM practices (responsibilities, escalations, quality &amp; accuracy checks)</li> </ul>			<p>Design</p> 
Implication			Significance
<p>If staff are unable to refer to the relevant instruction and guidance, there is a risk of no clear ownership of tasks and decisions, reliance on personal judgment rather than standards and service delivery inconsistency. Also, no routine review of space allocation can result in disagreements around space allocation and associated charges.</p>			Medium
Recommendations	Action owner	Management response	Completion date
<p>Management should ensure that a schedule for the annual inspections of premises is developed and implemented or that the SOP is updated to clarify that this is done through the quarterly review meetings.</p>	SLA Contract Manager	A full review of all SLA sites will be undertaken to identify gaps in Space Occupancy Agreements (SOAs), with an annual space validation and confirmation process implemented alongside quarterly SLA reviews.	End of December 2026
<p>Management should also ensure that the entire process is further formalised and embedded through the development and implementation of Standard Operating Procedures to assist staff in the calculation, communication and recovery of charges.</p>	E&F Programme Manager /Contract Manager	A standardised SOP framework will be implemented across the full SLA lifecycle, covering cost schedule development, reconciliation, invoicing, audit trail, and version control.	End of December 2026



# Detailed Findings


**Risk: If roles and responsibilities for Estates & Facilities GP SLA Service Charges are not clearly defined or staff lack proper training, it could lead to confusion, errors in charge collection, and accountability issues, potentially impacting NHS Lothian's financial integrity.**

Finding 4 - Roles and Responsibilities			Type
<p>Estates &amp; Facilities have created a spreadsheet recording the roles and responsibilities for the SLA cycle, covering such stages as the start of the SLA, service delivery, invoicing and quarterly review meetings. Various tasks have been assigned in the spreadsheet to staff members, including the Band 6 and Band 5 contract Managers and the Band 4 Admin member of staff. However, the role of Band 5 Finance recorded in the spreadsheet and identified as additional support is not currently filled as there is yet to be agreement on how best to fund and allocate this particular role. Tasks associated with this role absorbed by the Band 5 and Band 6 members of staff. These include ensuring that the recurring billing for costs is accurate in finance system based on information from SLA Contract Managers and checking costs against SLA income, and tracking and liaising with Accounts Receivable/Finance.</p> <p>The document also has not summarised the roles and responsibilities of the additional senior staff, specifically:</p> <ul style="list-style-type: none"> <li>• Land &amp; Property Manager</li> <li>• Accounts Receivable Staff</li> </ul> <p>It also noted that the Land &amp; Property Manager has taken on some of the Band 5 and Band 6 responsibilities, suggesting issues with the workload from the SLA process or uncertainty around the application of the SLA conditions and arising issues.</p>			<p>Design and effectiveness</p> 
Implication			
Without a complete and accurate record of all roles and responsibilities and the appropriate assignment of these, there is a risk that staff are liable to make decisions that do not align with their specific role, or that senior staff are unable to manage their own responsibilities effectively.			Medium
Recommendations	Action owner	Management response	Completion date
The roles and responsibilities spreadsheet should be updated to include the Land & Property Manager and the Accounts Receivable role. With all roles and responsibilities allocated appropriately according to the respective banding.	L&P Manager	The SLA team and role responsibility matrix will be reviewed and formalised across SLA, AR and Finance functions, with clear ownership and contingency arrangements established to improve resilience.	End of May 2026
Management should prioritise addressing the appointment of the Band 5 Finance role.	Business Manager E&F	The Band 5 Business Assistant role will be finalised and implemented to support SLA financial and operational requirements.	End of June



# Detailed Findings

**Risk: If monitoring and reporting processes lack effective performance metrics or regular reporting, NHS Lothian may miss critical issues or trends in Estates & Facilities GP SLA Service Charges activities, leading to inefficiencies and potential financial risks..**

Finding 5 - Performance and Reporting	Type
<p>In relation to the implementation of the SLA, It is essential for the Board and Practices to engage in regular communication regarding the SLA, whether that be in relation to issues such as operational changes, the charges and performance of the services. For that reason both parties are required agree to engage in review meetings throughout the year where these matters can be discussed and progressed as necessary.</p> <p>The agenda items to be addressed at these meetings are not mandated and will be agreed between the representatives of the Board and Practice. The Board provides information on performance and costs in advance of these meetings and by doing that it is hoped that a productive and open forum for addressing any matters is established.</p> <p>There are a number of work trackers and financial reports in place that are routinely reviewed by staff within estates and as part of the weekly meetings, specifically:</p> <ul style="list-style-type: none"> <li>• SLA Team Operational Tracker - helpdesk records the issues and queries raised through the SLA Contracts helpdesk, recording the practice name, issue, priority, status (in progress/completed), owner and assignation, resolution outcome. Additional columns are in place to record any dates of escalation and closed date. Review of the tracker has noted, of 78 entries 59 are marked as complete however 14 of these have no closed date recorded. Of the 45 entries with closed dates recorded, 18 have been done so either by or before the target resolution date. The 15 remaining actions have been closed on average 19 days after the target date (ranging from 1 day to 56 days).</li> <li>• Invoice &amp; DRF Verification Tracker is used by the SLA Contracts Team to record all invoices and credits raised following reconciliation, all of which are verified against the Turnover Report prepared by the Accounts Receivable Team Leader. Status is recorded as closed once reconciled. Of the 102 entries, 15 are subject to further action to verify data (splits, reconciliation, corrections etc). All of these are dated from November and December 2025, and January 2026.</li> <li>• A Cost Schedule Error Tracker has recently been introduced to record identified and reported errors in relation to the GP Practice Cost Schedules. This tracker does not record anything that can be easily identified and removed from the raw cost data but would not have an impact. This tracker will only record anything that, if passed through to the customer, would impact on their costs and/or be misleading or incorrect, for example costs for a different site incorrectly coded. The tracker logs whether errors were identified before or after issue to customer, to help understand root causes and improve the process. There are currently only two errors of that type that have been identified and captured in the tracker.</li> </ul> <p>While it is noted that routine financial reporting is taking place, identifying the turnover to date and outstanding debt, alongside the routine review of the SLA Tracker by the SLWG. No other performance metrics have been agreed or are in place to monitor performance and routinely report against these.</p>	<p>Effectiveness</p> 



# Detailed Findings


**Risk: If monitoring and reporting processes lack effective performance metrics or regular reporting, NHS Lothian may miss critical issues or trends in Estates & Facilities GP SLA Service Charges activities, leading to inefficiencies and potential financial risks..**

Implication			Significance
<p>The internal audit finding presents a valuable opportunity for the Board to enhance the management of their Service Level Agreement (SLA) by establishing and reporting against agreed performance metrics to provide greater oversight of the effectiveness and efficiency of the SLA management. By addressing the identified gaps in operational efficiency, such as discrepancies in the SLA Team Operational Tracker and delays in invoice verification, the organisation can improve service delivery and financial accuracy. The introduction of the Cost Schedule Error Tracker is a positive step towards better error management, and expanding its use could further enhance process reliability. Overall, these improvements can lead to increased transparency, stakeholder satisfaction, and a more effective SLA implementation, fostering a culture of continuous improvement and collaboration.</p>			Medium
Recommendations	Action owner	Management response	Completion date
<p>Management are recommended to identify and implement appropriate performance metrics, ensuring also that the data to be used is accurate and complete.</p> <p>To support this staff should be reminded to ensure that the tracker information is complete and accurate.</p>	SLA Contract Managers	A formal KPI framework will be implemented, with quarterly reporting to E&F SMT, covering operational, governance and financial performance, including meeting compliance, cost schedule accuracy, SLA sign-off rates, dispute resolution timelines, and invoice collection.	End of June 2026



# Detailed Findings

**Risk: Untimely or unclear communications regarding charges could lead to misunderstandings and disputes with GP Practices, potentially affecting stakeholder relationships and financial operations for NHS Lothian.**

<b>Finding 6 - Practice Meetings</b>			<b>Type</b>
<p>It is essential for the Board and Practice to engage in regular communication regarding the SLA, whether that be in relation to issues such as operational changes, the charges and performance of the services. For that reason, all parties have agreed to engage in review meetings throughout the year where these matters can be discussed and progressed as necessary.</p> <p>A schedule of quarterly meetings is in place and used to ensure that estates SLA contract staff are routinely meeting with practice representatives to discuss the SLA service, with staff required to cover various topics set out in a 'crib sheet' which includes review of previous actions and follow-ups, performance review - PPM, soft FM services and service cost &amp; financial review.</p> <p>Actions arising from these meetings are recorded in a Quarterly Review Meetings Calendar tracker and monitored through weekly team meetings.</p> <p>Review of the Quarterly Review Meetings Calendar tracker has noted a number of inconsistencies and incompleteness around how the information is being recorded/updated. According to the calendar, 24 Q1 meetings did not take place for the following reasons:</p> <ul style="list-style-type: none"> <li>• Rescheduled SLA Team Request (5 instances)</li> <li>• Rescheduled Practice Request (5 instances)</li> <li>• Practice Did Not Attend (14 instances)</li> </ul> <p>However, the status of the meetings had been recorded as completed for 23 of the 24 meetings, with only one meeting marked as 'Practice DNA'. Also, only five practices had alternative meeting dates recorded. Of the eight completed Q1 meetings, all occurring some time in September 2025, records indicate that minutes from two of the meetings had not been prepared (Hermitage AAH and Craiglockhart Medical Centre @ Allermuir).</p>			<p>Effectiveness</p> 
<b>Implication</b>			<b>Significance</b>
Without a clear agreement around the completion of the Quarterly Review Meetings Calendar tracker, there is a risk that management are not receiving adequate assurance that all meetings are being held according to the schedule and instances of non-compliance by the practices not captured and followed-up.			Medium
<b>Recommendations</b>	<b>Action owner</b>	<b>Management response</b>	<b>Completion date</b>
Quarterly practice meetings are a useful tool to ensure that there is ongoing communication and liaison with the practices to address reported issues and implement actions to address these. Staff should be reminded to complete the tracker accurately, escalating any instances where there is persistent lack of engagement with practices and efforts made to achieve the required meeting frequency.	SLA Contract Managers	SLA meeting governance will be standardised, with consistent use of templates, timely issuance of minutes and actions, and active monitoring and escalation of non-attendance and non-engagement, including non-payers.	End of March 2026



## Detailed Findings


**Risk: Untimely or unclear communications regarding charges could lead to misunderstandings and disputes with GP Practices, potentially affecting stakeholder relationships and financial operations for NHS Lothian.**

Recommendations	Action owner	Management response	Completion date
NHSL should ensure that, wherever possible, an alternative date should be agreed for any rescheduled meetings.	SLA Contract Managers/Admin Assistant	A structured approach to meeting re-scheduling will be introduced to ensure alternative dates are offered, and enable monitoring and escalation of repeated non-attendance, particularly where linked to outstanding debt.	End of March 2026



# Detailed Findings


**Risk: If roles and responsibilities for Estates & Facilities GP SLA Service Charges are not clearly defined or staff lack proper training, it could lead to confusion, errors in charge collection, and accountability issues, potentially impacting NHS Lothian's financial integrity.**

Finding 7 - Training			Type
<p>No formal training on the SLA Service Charges process has been prepared and delivered, instead this is addressed informally on a basis of need. This can include responding to issues arising from meetings of the established Short Life Working Group, or from the routine twice weekly catch-ups with the SLA contracts and admin staff. There are also established meetings every Friday morning where staff will review all action trackers (listed below for information) and any changes to key processes, further advice and instruction are discussed. During our review, we noted that no evidence was able to be provided of identified training needs.</p> <p>Action Trackers:</p> <ul style="list-style-type: none"> <li>• SLA Team Operational Tracker - helpdesk</li> <li>• SLA Team Quarterly Practice Meetings - Action Tracker</li> <li>• Quarterly Meetings Calendar and Workflow Tracker</li> <li>• Finance / Debtors Request Form Verification Tracker</li> </ul>			Design 
Implication			Significance
Lack of a formal training needs analysis, there is a risk that management are staff lack the skills or knowledge required to perform tasks correctly, leading and increased likelihood of errors, delays or inconsistent service delivery.			Low
Recommendations	Action owner	Management response	Completion date
The identification and provision of training around the process should be a more formalised exercise to ensure that concerns and knowledge gaps are being properly addressed. This should include consultation with staff within the Accounts Receivable function of Finance to identify any routine issues that arise from the accuracy and completeness of the invoicing process.	L&P Manager	A formal training and knowledge framework will be implemented, including a role-based training matrix, standardised SOP, and regular engagement with AR and Finance to align processes and address issues.	End of May 2026



# Detailed Findings

**Risk: If the appeals process for the transitional arrangements is not transparent or accessible this could lead to unresolved disputes and potential financial strain for NHS Lothian Health Board.**

Finding 8 - Appeal Recording and Reporting	Type
<p>In response to initial concerns from the ‘launch’ in January / February 2024, a dispute process was implemented through which practices could raise these with the Board and pursue an appropriate resolution.</p> <p>The SLA includes a section under the heading ‘Disputes’ and alongside this the SLA ‘Pack’ issued to all relevant practices included the Primary Care SLA Transition Arrangements Dispute Resolution - Interim Process.</p> <p>This informs practices that there is a 3-stage appeals process, as follows:</p> <ul style="list-style-type: none"> <li>• <u>Early Resolution / First Stage Review</u> - Initially, early resolution will be sought for Practice concerns (through straightforward email/telephone call actions). If no resolution, First Stage Review chaired by the Estates and Facilities Associate Director and the Finance Business Partner.</li> <li>• <u>Second Stage Review</u> - Chaired by the Director of Estates and Facilities and will include the Deputy Director of Finance, and Primary Care (PCCO/HSCP) representative.</li> <li>• <u>Third Stage Review (Final Appeal)</u> - Chaired by a Director and will include Director of Primary Care and the Chair of the Lothian Local Medical Committee.</li> </ul> <p>The process document and SLA also includes the timescales expected of Practices and NHS Lothian to efficiently and effectively progress the appeals, which are routinely reported to the SLWG through a GP SLA tracker.</p> <p>A sample of eight practices were selected from the population of 21 practices identified as progressing or having progressed through the appeals process.</p> <ul style="list-style-type: none"> <li>• We found that for the two practices sampled which were resolved at the early stage, these had been handled in line with the documented process with no exceptions noted.</li> <li>• For the three practices sampled which were resolved at First Stage, we noted that one was handled in line with the documented process. Two of these exceeded the agreed timescales for acknowledgement of the appeal and notification of the meeting; it was noted that this was due to the appeals process being under development and not fully in place at the time.</li> <li>• For the two practices samples which were resolved at Second Stage, these were handled in line with the documented process with no exceptions noted.</li> <li>• For the one practice samples which was resolved at Third Stage, it was noted that target dates were not met following receipt of the notification of appeal - Management noted that this was due to significant time spent internally reviewing the content of appeals and considering the response.</li> </ul> <p>Noting the complexity around the nature of the appeals the process appears to be operating reasonable effectively. Delays to responses and</p>	<p>Design</p> 



## Detailed Findings


**Risk: If the appeals process for the transitional arrangements is not transparent or accessible this could lead to unresolved disputes and potential financial strain for NHS Lothian Health Board.**

Finding 8 - Appeal Recording and Reporting			Type
<p>meetings are the result of the rapid roll out of the recovery initiative and processes not yet embedded as a result, alongside the complexity around specific appeals.</p> <p>However, there is currently no analysis or reporting carried out around the application of the appeals process and specifically around the time taken to respond to and resolve appeals, as per the documented advice. There is an opportunity to enhance the thematic analysis or appeals through setting categories within the Appeals Tracker rather than allowing free text (see observation one for further detail).</p>			
Implication			Significance
Without routine review of the appeals process, which includes assessment of the timescales advised in the SLA and process document, management can the SLWG cannot be assured on the operating effectiveness of the process and appropriateness of the targeted timescales.			Low
Recommendations	Action owner	Management response	Completion date
Management should, as part of the agreement and implementation of key performance indicators, include analysis and reporting on the efficiency and effectiveness of the appeals process.	Director of E&F & Director of PC	A structured performance framework for the appeals process will be established, with defined KPIs, regular reporting, and ongoing thematic and root cause analysis to drive improvements in data quality, cost schedules, and communication.	End of May 2026
Management should assign set categories for reason for appeals which should be included as a drop-down list within the tracker; this will allow for better analysis and thematic reporting.	Project Manager	The appeals tracker will be redesigned to enable categorisation and analysis of recurring issues, with standard categories introduced to support thematic reporting and continuous improvement.	End of May 2026



# Detailed Findings


**Risk: There may not be effective oversight to ensure compliance with the changes, leading to reputational damage and legal action against NHS Lothian.**

Finding 9 - Invoicing			Type
<p>NHSL issues SLA charge invoices to Practices on a monthly basis which includes a breakdown of elements. Some specific charges are based on estimates which are later reconciled with a resulting invoice or credit note issued to Practices.</p> <p>Each month the Accounts receivable Team Leader prepares two spreadsheets. A Turnover Report lists all invoices and credit notes that have been raised during the financial year to date, including narrative to indicate whether there is a dispute and if the invoices have been settled or remains outstanding. The Outstanding Balances spreadsheet lists for all practices the level of outstanding debt to date and as far back as 2016, so not all associated with the new SLA and the transitional arrangements.</p> <p>These reports are provided to the E&amp;F Programme Manager, SLA Contracts Team and the Head of PCCO Finance.</p> <p>The turnover report includes a column to record whether an individual invoice is being disputed. If no dispute/hold marker is held against an invoice, this would reflect that Accounts Receivable have not been made aware of a dispute/query that would prevent the invoice from being paid and they would be expecting payment.</p> <p>Any disputes or queries can be raised by the Practice via Accounts Receivable (who would then forward to SLA Contracts team and place a dispute/hold marker). Alternatively, the Practice can raise the dispute directly with the SLA Contracts team. Accounts Receivable would then be reliant on the SLA Contracts team notifying them on the dispute (to enable them to update eFinancials accordingly). However, it is noted from review of the Turnover Report that Accounts Receivable are not being routinely informed of all instances where the GP practice is disputing the invoiced amounts. As at 31 December 2025, there were 76 invoices outstanding with 'no dispute' recorded in the tracker and related to the 25/26 SLA, totalling £990,785.81.</p>			Design 
Implication			Significance
Without appropriate processes and arrangements in place to ensure that Accounts Receivable are notified of all disputed invoices the turnover reports are not entirely accurate around the reporting of outstanding balances			Low
Recommendations	Action owner	Management response	Completion date
<p>It is recommended that a single route is agreed and implemented to advise Accounts Receivable of disputed invoices. This can be either that all practices are required to notify the Accounts Receivable team directly or that the SLA Team, when logging disputes, advise Accounts Receivable of this.</p> <p>This should include action to determine whether a practice has taken the decision not to pay, without notifying NHSL.</p>	E&F Programme Manager	A consistent and controlled dispute notification process will be implemented, with the SLA Team acting as the single point of contact for raising disputes and notifying the Accounts Receivable team, supported by tracker controls and regular reconciliation between SLA and AR records.	End of April 2026



# Detailed Findings

**Risk: If the criteria and methodology for determining Estates & Facilities GP SLA Service charges are inconsistent or inaccurate, it could result in incorrect billing and financial losses for NHS Lothian Health Board.**

Finding 10 - Accuracy of Reconciliation Work Tracker			Type
<p>It is important that reconciliations are carried out on a regular basis to ensure the accuracy of service charges.</p> <p>Our review of the Reconciliation Work Tracker for a sample of six practices identified a number of instances in which it appeared as though reconciliations had not been completed or quality checked; Management subsequently provided evidence that these checks had taken place and therefore it was the case that the tracker had not been updated to reflect the current position.</p>			<p>Effectiveness</p> 
Implication			Significance
<p>Without an up to date tracker, there is a lack of clear oversight of completion of reconciliations which could lead to either reconciliations being missed or duplication of effort.</p>			<p>Low</p>
Recommendations	Action owner	Management response	Completion date
<p>It is recommended that staff are reminded of the importance of keeping the tracker up to date. Instances of non-completion should be followed up on and rectified.</p>	<p>E&amp;F Programme Manager</p>	<p>A formal tracker governance framework will be introduced, with defined ownership, update expectations, routine quality checks, and escalation of non-compliance through SLA team structure.</p>	<p>End of March 2026</p>

# Observations



# Observations

## 1. Appeals

Scrutiny and thematic analysis of the appeals tracker highlighted the following reasons for appeal (note - numbers are unspecific due to some areas of ambiguity within the free text boxes of the tracker):

Matter Subject to Appeal	Count of Times Issue Cited in Appeals
Inaccuracy of space allocation incl dispute regarding shared space contribution	>15
Condition of the building - impact on charges	10-15
Dispute of responsibility matrix (incl legal status), most commonly in relation to backlog maintenance	10-15
Accuracy of invoices / lack of evidence of charges / lack of evidence of work completed	10-15
Allocation of energy charges	5-10
Standard of services provided	5-10
Notice period, implementation of new SLA/Charges	5-10
Fairness and equity across practices	<5
Clarity/length of appeals process	<5

The review considered the more frequent appeals reasons in further detail as set out below. The question considered was: Were initial data, processes and principles robustly considered at implementation stage, covering:

- Accuracy of Space Allocation
- Condition of the Building
- Dispute of Responsibility Matrix
- Accuracy of Invoices / lack of breakdown of charges / lack of evidence of work completed

# Appendices



## Appendix I: Background

It was agreed as part of the 2025-26 Internal Audit Plan that Internal Audit would conduct a review of arrangements around Estates & Facilities service provision to GP Practices, and the subsequent need to reimburse NHS Lothian for said services.

The cost recovery approach for Hard FM, Soft FM and Energy from General Practices (to which NHS Lothian provides these services) was endorsed for implementation at the Corporate Management Team (CMT) in August 2023. When it was recognised that existing cost recovery models were inconsistent, historic and had not been actively revised at regular intervals to take account of cost increases (for example relating to annual cost indexation, pay uplifts, CPI, changes to National Cleaning Specifications (2006) and Energy price increases). The proposal indicated that full recovery process would be enacted from April 2024, but sought advice from the CMT about potentially phasing cost recovery over an extended period due to the significant of variance from current levels of payment.

In November 2023, and in response to CMT discussion, the CEO and Chair of the Lothian Local Medical Committee agreed a phased implementation to the revised charges as set out below:

- 5% increase in payments for FM services provided from April 2022 (retrospective uplift)
- 6.5% increase in payments for FM services provided from April 2023 (retrospective uplift)
- Payments equating to closing the gap between baseline payment and actual costs for all services by 50% in 23/24
- As above, increasing to 75% of the gap in 24/25
- As above, closing the gap to meet total costs of the service from April 2026

(On 22 October 2025 the Director of Estates and Facilities Confirmed that there would be an extension of the 50% gap level of charges until the end of March 2026, which has been implemented to allow the Scottish Government to continue negotiations on a national workstream relating to direct reimbursement of some GP non-pay costs as part of Phase Two development of the GMS contract).

At the time of the 2023 review, it was identified that some practices would see a cost uplift (for FM services) of up to 564% due to lack of remedial action on historic arrangements, indeed it was noted that enacting the previous SLA had been time-consuming, inconsistent and did not cover full costs incurred by the Board.

From the outset of the current cost recovery exercise, the risk of limited or no acceptance of the cost increases was noted. Reasons cited (in addition to historic practice of 'subsidies') were low satisfaction with the service provided, limited understanding of statutory obligations of practices and 'issues' with previous cost recovery processes. In August 2023 proposals were put forward to the CMT that recognised the need for a 'clear view' and position in the instance of no/limited engagement and/or payment.

The potential impacts of this risk were identified to be termination of (GP) contracts (with the Board assuming responsibility for running the practice under 2C arrangements); requirement to redistribute patient lists to other practices; with subsequent access (to GP appointments) manifesting in wider system pressures. In addition, legal challenge (by practices) and formal complaints were also noted to be a risk.

Throughout the process, it appears that Estates & Facilities have taken the view that the absence of a finalised SLA document should not affect transitional arrangements for cost recovery, while also identifying the risks above and the fact that it 'complicates' implementation. Again, limited evidence was found regarding risk mitigation strategies that could be enacted by the Board.

On the 12 November 2024 the Director of Estates and Facilities wrote to all relevant practices providing them with a 'pack' of detailed documents related to the NHS Lothian Estates and Facilities SLA. This included:

- The full Service Level Agreement
- An executive summary of the SLA
- Standard operating procedure for allocating sole and shared business space
- Primary care estates and facilities transition - interim dispute resolution (appeals) process
- GMS Property responsibility matrix



## Appendix I: Background

The SLA has clearly documented the Board's responsibilities, alongside the obligation of the Practices.

Within the August 2023 CMT paper, it was noted as part of the high-level implementation plan, that the development of individual SLAs with accurate cost schedules would take place between July - October 2023.

A Short Life Working Group (SLWG) was established in January 2024 with responsibility for implementing the new arrangements. Cost estimates were shared with practices in February 2024, at which point they were given 3 month's notice to consider alternative providers where applicable. To support implementation, specific engagement sessions were delivered to provide additional detail to interested practices.

It is noted that the LMC have not yet accepted the new SLA document. It is also noted that the SLA document 'lacks comprehensive legal enforceability concerning tenancy issues, i.e. governing occupancy in the building and responsibility for cost contribution'.

Furthermore, the absence of a formal occupancy agreement that clearly defines the rights and obligations of both the landlord and tenants in NHS owned or leased premises impacts cost recovery.

The implementation of the new SLA, cost allocation matrix/calculations, responsibility matrix and invoicing process represented a significant change from baseline practice for the organisation, specifically the Land and Property team within Estates and Facilities Directorate.

It is recognised that the intention was to launch the process developed rapidly in response to identification of a financial recovery opportunity and that the intention (as set out in CMT papers) was to refine the process as feedback and learning was derived.

Other influencing factors on the effective implementation of the SLA arrangements and cost recovery are as follows:

- Soft and Hard FM services are experiencing recruitment and retention difficulties which can affect the level of service provided, up to and including statutory compliance.
- Benchmarked costs indicate NHS Lothian provides both Hard and Soft FM

services in GP premises below the Board average cost per sq/meter; but the average cost is higher than that for similar services in other sectors. This is generally understood to be primarily attributable to pay costs/conditions and Infection Prevention and Control policy requirements (single-use disposable materials).

- Central legal Office (CLO) have identified that, in terms of occupation arrangements, different terms impose different obligations for contributions towards costs. Where GPs do not have a written lease, they could give the Board 40 days notice to terminate their 'implied' lease. Under an implied lease arrangement, the practice is obligated to maintain and repair the premise (except for the structure and exterior of the building; communal areas and installation of supply of commodities).
- CLO have also advised that the Board have no grounds for enforcing particular cleaning standards on tenants (in relation to Soft FM services)
- National disparity in approaches to cost recovery from primary care contractors. Scottish Government representatives are working to determine what agreements have been made across Scotland to support delivery of consistency. In addition, there is an accelerated national workstream to introduce additional reimbursement for GP non-pays costs as part of phase 2 development of the GMS contract (as part of this, SG will cover the financial short-fall of pausing phased implementation of charges as set out above).



## Appendix II: Definitions

Level of assurance	Design of internal control framework		Operational effectiveness of controls	
	Findings from review	Design opinion	Findings from review	Effectiveness opinion
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation significance	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



## Appendix III: Terms of reference

### Extract from terms of reference

#### Purpose

The Estates & Facilities GP SLA Service Charges Internal Audit was to provide assurance to management and the Audit and Risk Committee that the controls managing facilities service payments are effective. This review will consider processes around identification, communication and collection of charges.

#### Key risks

- Inadequate policies and procedures might be misinterpreted, leading to incorrect charges and potential financial discrepancies for NHS Lothian.
- If roles and responsibilities for Estates & Facilities GP SLA Service Charges are not clearly defined or staff lack proper training, it could lead to confusion, errors in charge collection, and accountability issues, potentially impacting NHS Lothian's financial integrity.
- If the criteria and methodology for determining Estates & Facilities GP SLA Service charges are inconsistent or inaccurate, it could result in incorrect billing and financial losses for NHS Lothian Health Board.
- Untimely or unclear communications regarding charges could lead to misunderstandings and disputes with GP Practices, potentially affecting stakeholder relationships and financial operations for NHS Lothian.
- If the appeals process for the transitional arrangements is not transparent or accessible this could lead to unresolved disputes and potential financial strain for NHS Lothian Health Board.
- If invoicing and payment procedures for Estates & Facilities GP SLA Service Charges are flawed or debt management is ineffective, it could lead to delayed collections, increased bad debt, and financial instability for NHS Lothian.
- If monitoring and reporting processes lack effective performance metrics or regular reporting, NHS Lothian may miss critical issues or trends in Estates & Facilities GP SLA Service Charges activities, leading to inefficiencies and potential financial risks.
- If risk management processes fail to identify or mitigate financial, legal, or reputational risks related to facilities support payments, NHS Lothian could face significant challenges that impact its operations and stakeholder trust.

#### Exclusions

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. Our review will not provide assurance over all aspects of facilities service payments.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.



## Appendix IV: Staff interviewed

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

Karen Fraser	Head of Risk, Quality & Assurance	Key Contact
Robert Aitken	Associate Director Operations and Estates Facilities	Key Contact
Tracey McKigen	Director of Primary Care	Interviewee
Shona Binning	Finance Business Partner	Interviewee
Mark Hunter	Head of PCCO Finance	Interviewee
Damian Wojcek	Project Team Manager	Interviewee
Dave Proudfoot	Project Manager	Interviewee
Chrostopher VanRietvelde	Land & Property Manager	Interviewee
Andrew Forder	Chair of Lothian Local Medical Committee	Interviewee
Ross Neil	Estates Service Contracts Manager	Interviewee
Amanda Porwol	Estates Contracts Manager	Interviewee



# Appendix V: Responsibilities, limitations and conformance with the Global Internal Audit Standards

## Management responsibilities

The Board is responsible for determining the scope of internal audit work, and for deciding the action to be taken on the outcome of our findings from our work.

The Board is responsible for ensuring the internal audit function has:

- The support of the Company's management team.
- Direct access and freedom to report to senior management, including the Chair of the Audit Committee.
- The Board is responsible for the establishment and proper operation of a system of internal control, including proper accounting records and other management information suitable for running the Company.

Internal controls covers the whole system of controls, financial and otherwise, established by the Board in order to carry on the business of the Company in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as 'controls' or 'internal controls'.

The Board is responsible for risk management in the organisation, and for deciding the action to be taken on the outcome of any findings from our work. The identification of risks and the strategies put in place to deal with identified risks remain the sole responsibility of the Board.

## Limitations

The scope of the review is limited to the areas documented under Appendix II - Terms of reference. All other areas are considered outside of the scope of this review.

Our work is inherently limited by the honest representation of those interviewed as part of colleagues interviewed as part of the review. Our work and conclusion is subject to sampling risk, which means that our work may not be representative of the full population.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that: the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or the degree of compliance with policies and procedures may deteriorate.

**Conformance with the Global Internal Audit Standards** This engagement has been conducted in accordance with the Institute of Internal Auditors' Global Internal Audit Standards.

#### FOR MORE INFORMATION:

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