



Planning report to the Audit and Risk Committee on the 2024/25 audit – Issued on 14 March 2025 for the meeting on 28 March 2025.

Contents

01 Planning report

<u>Introduction</u>	<u>3</u>
<u>Our audit explained</u>	<u>4</u>
<u>Scope of work and approach</u>	<u>5</u>
<u>Significant risks</u>	<u>7</u>
<u>Wider scope requirements</u>	<u>11</u>
<u>Purpose of our report and responsibility statement</u>	<u>14</u>

02 Appendices

<u>Responsibilities of the Audit and Risk Committee</u>	<u>16</u>
<u>Continuous communication and reporting</u>	<u>17</u>
<u>Scope of work and approach</u>	<u>18</u>
<u>Our approach to quality</u>	<u>19</u>
<u>Our other responsibilities explained</u>	<u>21</u>
<u>Independence and fees</u>	<u>23</u>

03 Technical and sector update

<u>Sector developments: NHS in Scotland Overview 2024</u>	<u>24</u>
<u>Sector Developments: The State of the State 2025</u>	<u>25</u>

1. Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Introduction

I have pleasure in presenting our planning report to the Audit and Risk Committee (“the Committee”) of NHS Forth Valley for the 2024/25 audit. I would like to draw your attention to the key messages of this paper.

Audit approach

Materiality

The concept of materiality is fundamental to the audit. It is applied throughout the audit to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

We have determined preliminary materiality of £12.9m (PY: £12.7m) (Board only: £12.2m (PY: £12m)) for the 2024/25 audit.

This represents 1.4% (2023/24: 1.4%) of expenditure. Based on the role of NHS Forth Valley, we selected expenditure as the most appropriate benchmark.

Performance materiality has been set at £9.6m (PY: £9.5m) (Board only: £9.1m (PY: £9m)) representing 75% (2023/24: 75%). We will report misstatements found in excess of £0.645m (PY: £0.635m) (Board only: £0.610 (PY: £0.600m)), or those below that threshold if we consider them qualitatively material.

Audit risks

We plan our audit of the financial statements in response to the risks of material misstatement in transactions, balances and irregular transactions. Based on our initial risk assessment, we have identified the following significant risks (page [7](#)):

- Property Valuations

- Operating within expenditure resource limits; and
- Management override of controls.

We will update the Audit and Risk Committee on any changes to this risk assessment.

Audit timetable

Our timetable is summarised on page [18](#). We understand the financial statements are to be approved on 17th June 2025.

Controls

We do not plan to rely on any controls as part of our audit.

Wider Scope and Best Value requirements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit, specified by the Code of Audit Practice, broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for each area, building on any findings and conclusions from the previous year, planning guidance from Audit Scotland and developments within the organisation during the year.

Our wider scope significant risks are presented on pages [11](#) to [13](#). As part of this work, we will consider the arrangements in place to secure Best Value (“BV”).

Team

Following the retirement of Pat Kenny, Ian Howse will take over as audit engagement lead.

Ian Howse
Partner

2. Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of auditors

Our responsibilities are set out on page [21](#).

Responsibilities of the Audit and Risk Committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on page [16](#), the Audit and Risk Committee is responsible for:

- Reviewing internal financial controls, internal control and risk management systems (unless expressly addressed by a separate board risk committee or by the board itself);
- Monitoring and reviewing the effectiveness of the internal audit function;
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems; and
- Explaining what actions have been, or are being taken, to remedy any significant failings or weaknesses.

3.1 Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice

Opinion on financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and the Code of Audit Practice issued by Audit Scotland. NHS Forth Valley will prepare its accounts in accordance with the applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (“FReM”) and the NHS Scotland Act 1978, and directions made thereunder by the Scottish Ministers.

Reporting on other requirements

Our responsibilities also include:

- An opinion on the regularity of expenditure and income;
- An opinion on the audited parts of the Remuneration and Staff Report;
- Under the Code of Audit Practice to read the information included in the Performance Report and the Governance Statement, and determine whether they are consistent with the financial statements; and
- In accordance with ISAs (UK) to read the other information accompanying the financial statements and report by exception any material misstatements we identify.

Our reporting will be addressed to NHS Forth Valley, the Auditor General for Scotland, and the Scottish Parliament.

Wider scope requirements, including considering and reporting on Best Value arrangements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

Wider scope requirements, including considering and reporting on Best Value arrangements continued

The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in respect of:

- Financial management;
- Financial sustainability;
- Vision, leadership and governance; and
- Use of resources to improve outcomes.

As part of this wider scope audit work, we also are required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed on page [11](#).

Other reporting requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for items that meet the prescribed criteria.

Consolidation – We are required to provide assurance confirming consistency with the audited Annual Report and Accounts on the consolidation schedules included in the Scottish Government (SG) Consolidated Accounts. Furthermore, as part of ISA 600 Revised, we are required to work alongside Audit Scotland in their audit of the Scottish Government Consolidated Accounts.

Audit Scotland Data Returns – We are required to work with Audit Scotland in providing them with key data metrics such as outturn, savings achieved and key risks.

3.2 Scope of work and approach (continued)

Our approach

Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of internal audit has been designed to be compatible with these requirements.

We will review their reports and where they have identified specific material deficiencies in the control environment, consider adjusting our testing so that the audit risk is covered by our work.

Impact of your control environment on our audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Reliance on controls: Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I"). We do not take a controls reliance approach to our audit of NHS Forth Valley.

Performance materiality: We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate.

Given the findings from our previous audit, we have maintained the same performance materiality benchmark for the current year.

IT environment

A quality IT environment underpins a good control environment, particularly as IT controls are configurable and often preventative in nature. In the prior year our IT specialists concluded that NHS Forth Valley's IT environment, applicable to financial processes, is simple in nature and none of our significant audit risk areas are impacted by IT systems. We will therefore not perform IT testing as part of our audit.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the FReM to support NHS Forth Valley in preparing high quality drafts of the Annual Report and Accounts, which we would recommend NHS Forth Valley complete during drafting.

4.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Page no.
Management override of controls					8
Operating within the expenditure resource limit					9
Property Valuations					10

Level of management judgement



Significant management judgement



A degree of management judgement



Limited management judgement

Controls approach adopted



Assess design & implementation

4.2 Significant risks

Management override of controls

Risk identified	In accordance with ISA (UK) 240, management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts, as well as the potential to override the Board's controls for specific transactions. The key judgments in the Annual Report and Accounts are those which we have selected to be the significant audit risks, primarily valuation of the Board's estate. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts.
Our response	In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk: • We will consider the overall control environment and 'tone at the top'; • We will evaluate the design and implementation of controls relating to journals and accounting estimates; • We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; • We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts. We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest; • We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above; and • We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

4.3 Significant risks (continued)

Operating within the expenditure resource limits

Risk identified	Under auditing standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for the Board as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied. We therefore consider the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. The risk is that the Board could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position. The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end, as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.
Our response	We will evaluate the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area will include the following: • Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end; • Obtaining independent confirmation of the resource limits allocated to the Board by the Scottish Government; • Performing focused testing of a sample of accruals and prepayments made at the year end; and • Performing focused cut-off testing of a sample of invoices received and paid around the year end.

4.4 Significant risks (continued)

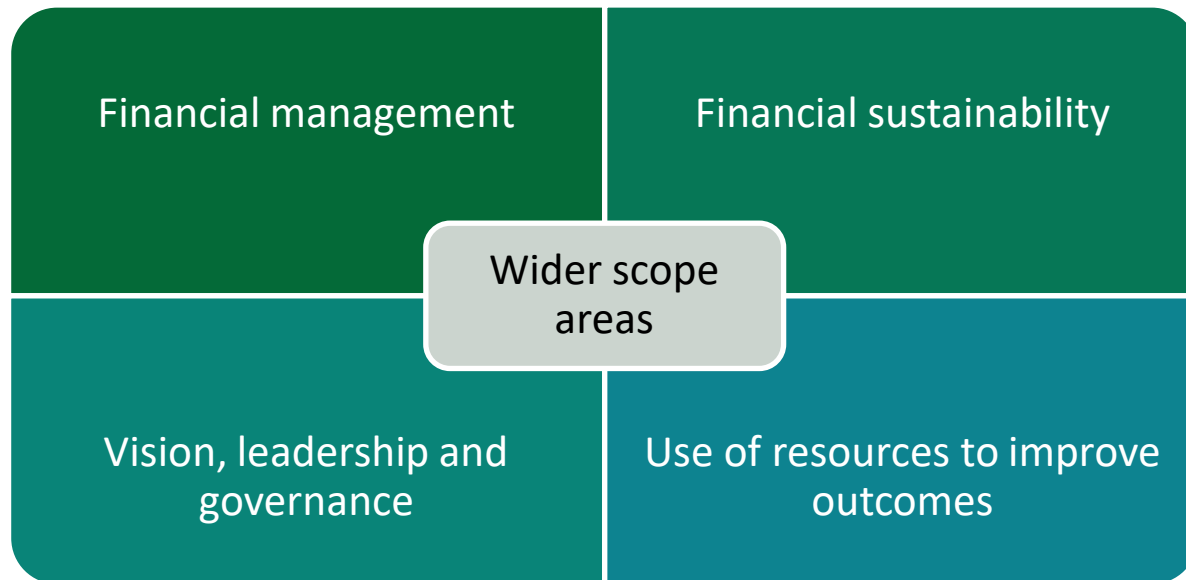
Property Valuation

Risk identified	The Board held £546.297m of property assets (land, dwellings & buildings) at 31 March 2023 which increased to £558.671m as at 31 March 2024, due to upwards revaluations and reversals of impairments as a result of the Board undertaking a full independent valuation exercise during 2023/24. In 2024/25 the Board will perform a full independent valuation of its estate as at 31 March 2025. The Board is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.
Our response	In considering the risk around property valuations, we plan to perform the following audit procedures that directly address this risk: • We will evaluate the design and implementation of key controls in place around the property valuation; • We will assess the year end journal postings for revaluations impacting the financial statements; • We will engage early with the Board, using our valuation specialists, Deloitte Real Asset Advisory, to challenge the assumptions applied by management in the valuations; and • We will test the inputs to the valuation and the key asset information provided by the Board to the valuer back to supporting documentation.

5.1 Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit, specified by the Code of Audit Practice, broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



The Scottish Public Finance Manual (“SPFM”) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we will consider whether there are organisational arrangements in place in this regard.

As part of our risk assessment, we have considered the arrangements in place for the wider scope areas and have summarised the significant risks and our planned response on the following pages.

5.2 Wider scope requirements (continued)

Significant risks

Area	Significant risks identified	Planned audit response
Financial management	For 2024/25, NHS Forth Valley initially identified a funding gap of £58.4m (8.6% of the baseline budget). This deficit has been revised downwards throughout the year and as at February 2025, NHS Forth Valley are forecasting a deficit of £6.1m (1% of the baseline budget). However, reduction in this deficit in recent months has been noted to have been aided by non-recurring savings means and unplanned, non-recurring funding from the Scottish Government. As at February 2025, £27.9m of savings have been achieved – split between £12.1m on a recurring basis, with the remaining £15.8m being delivered on a non-recurring basis. The latest Finance Report to the Performance and Resources Committee in February 2025 highlighted that savings delivery is £8.9m behind plan. Therefore, there is a significant risk around how the Board manages this position given the financial challenges they are experiencing.	We will monitor how appropriate the governance arrangements and savings plans that the Board has in place to manage and monitor the deficit are, and what further steps are being taken to address this going forward.
Financial sustainability	2024/25 is the first year that the Board are forecasting a deficit without a potential resolution. There is a significant risk that robust medium to long term planning arrangements are not in place to ensure that the Board can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly. NHS Forth Valley is expecting to have circa £6.1m deficit for 2024/25 and faces greater challenges in future years. We will monitor how the organisation resolves the forecasted underlying deficits for future years with support from Scottish Government and what longer term impact this potential deficit will have.	We will assess the robustness of the plans made by management to deliver financial sustainability to the organisation. This will include reviewing the continued reliance on non-recurring savings. A good financial plan takes a whole system approach we will look at the linkage between the financial plan and the key corporate strategies in place.

5.3 Wider scope requirements (continued)

Significant risks (continued)

Area	Significant risks identified	Planned audit response
Vision, leadership and governance	Although the Board have been de-escalated from Stage 4 to Stage 3 of the NHS Scotland Performance Escalation Framework, there remains a significant risk around leadership, governance and culture, given the Board still remains on the higher side of the scale of the escalation framework. NHS Forth Valley must show that sustained progress against the revised escalation action plan has been made throughout 2024/25.	We will continue to monitor the work of the Board and its Committees to evaluate that arrangements are in place and operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making. We will review any stakeholder reports relating to leadership, governance and culture.
Use of resources to improve outcomes	Due to the significant system wide pressure there is a risk that performance management systems are not effective. In 2023/24 the board realised the results of positive action against low performance in Out-Of-Hours Services and CAMHS. Performance in unscheduled care remained in the lower quartile. There is a risk that the performance management framework is not appropriate and effective in delivering improved performance particularly in unscheduled care. As a result of the improvements NHS FV have made, they have been de-escalated from stage 4 of the performance management framework. However, it is imperative the Board continues to sustain this improvement. It is important these realistic targets are considered and taken into account in future resource planning.	We will review the performance management framework in place and the reporting to the board. Furthermore, will review the latest performance data and HIS inspection reporting.

6 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you.

Use of this report

This report has been prepared for the Audit and Risk Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

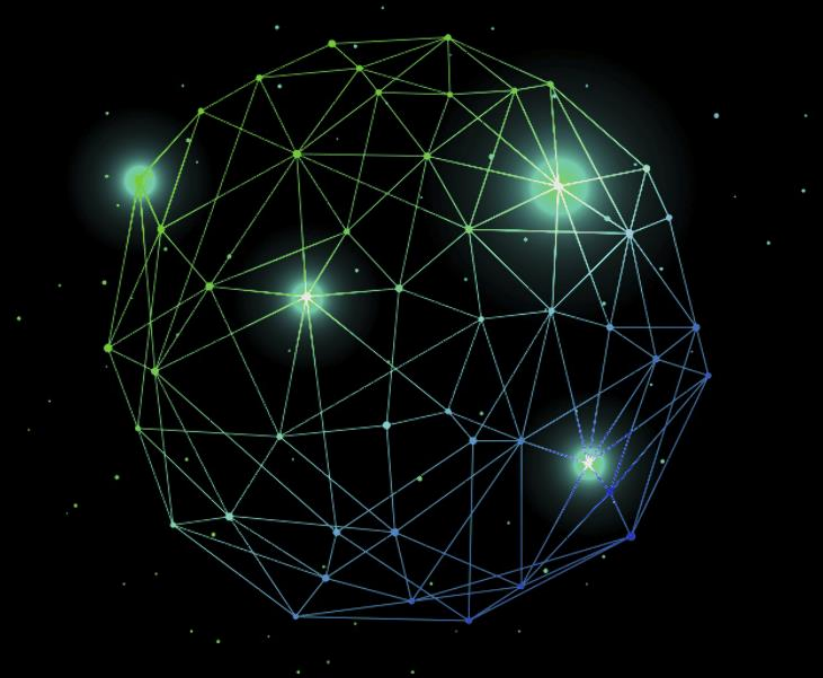
Other relevant communications

We will update you if there are any significant changes to the audit plan.

Ian Howse
Deloitte LLP

Cardiff | 14 March 2025

Appendices



7. Responsibilities of the Audit and Risk Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Risk Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Risk Committee has significantly expanded. We set out here a summary of the core areas of Audit and Risk Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Risk Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

- Implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

Oversight of internal audit

Whistle-blowing and fraud

- Review the internal control and risk management systems (unless expressly addressed by separate Board risk committee).

- Explain what actions have been or are being taken to remedy any significant failings or weaknesses.

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, and level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Board, provide advice in respect of the fair, balanced and understandable statement.

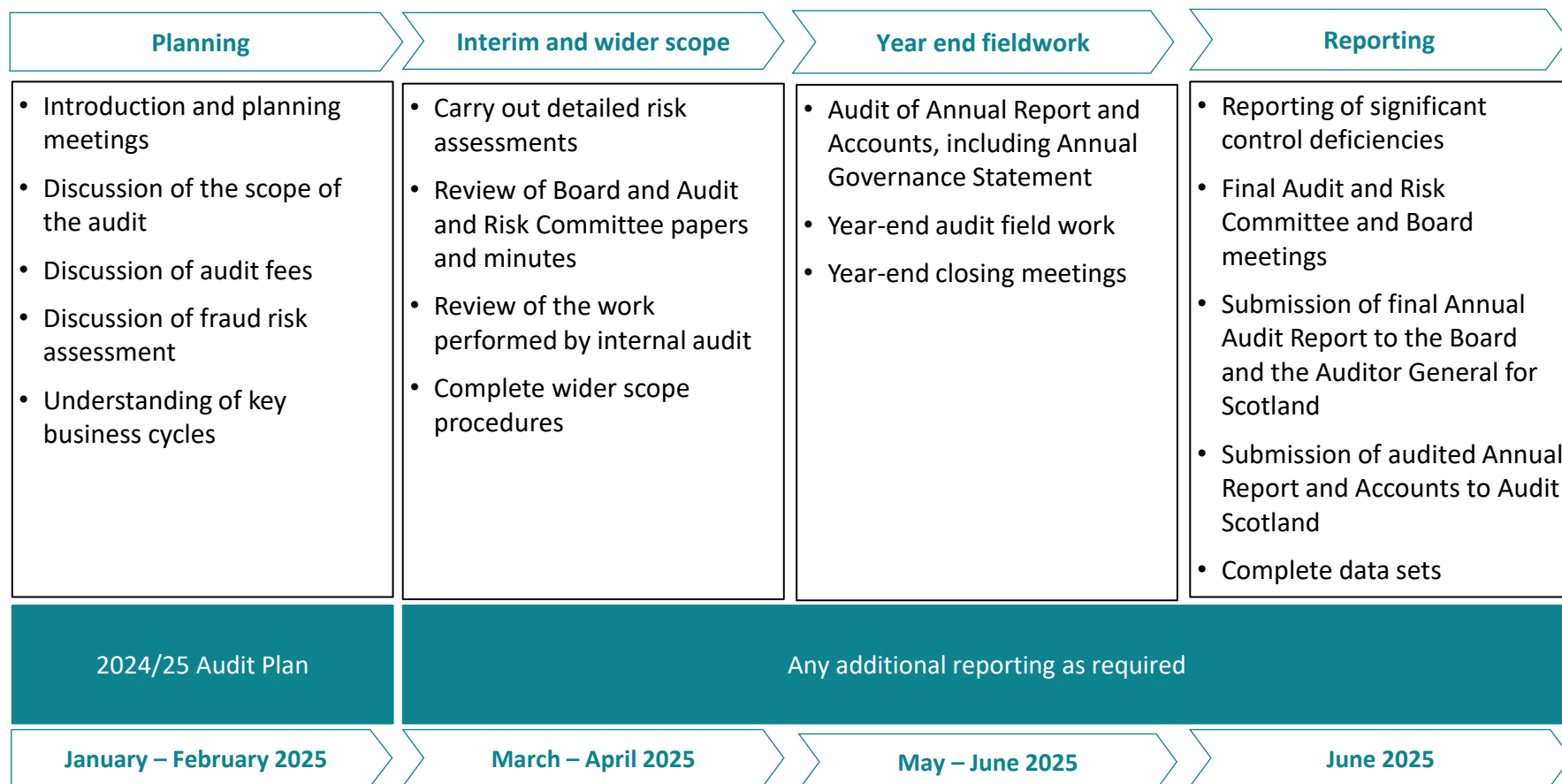
- Consider annually whether the scope of the internal audit programme is adequate.

- Monitor and review the effectiveness of the internal audit activities.

8. Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

9.1 Scope of work and approach

Our key areas of responsibility under the Code of Audit Practice

Auditors activity	Planned output	Proposed reporting timeline to the Committee	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan Independent Auditor's Report Annual Audit Report	21 March 2025 17 June 2025 17 June 2025	31 March 2025 30 June 2025 30 June 2025
Wider scope areas	Annual Audit Plan Annual Audit Report	21 March 2025 17 June 2025	31 March 2025 30 June 2025
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	21 March 2025 17 June 2025	31 March 2025 30 June 2025
Provide assurance on specified returns	Annual Audit Plan Assurance Statement on consolidated schedules of health boards	21 March 2025 N/A	31 March 2025 30 June 2025

10.1 Our approach to quality

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (“SQM”) supports our execution of quality audits.

ISQM (UK) 1 sets out a firm’s responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte’s global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its second annual evaluation of its system of quality management as of 31 May 2024. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2024.

For further details surrounding the conclusion on the operating effectiveness of the firm’s SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [Transparency Report](#).



10.2 Our approach to quality

FRC 2023/24 Audit Quality Inspection and Supervision report

Audit quality shapes our vision of the business we want to be, driving our priorities and defining our successes.

In July 2024, the Financial Reporting Council ("FRC") issued individual reports on each of the six largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2023/24 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department ("QAD"), both in identifying areas for improvement and also the ongoing focus on sharing good practice to drive further and continuous improvement.

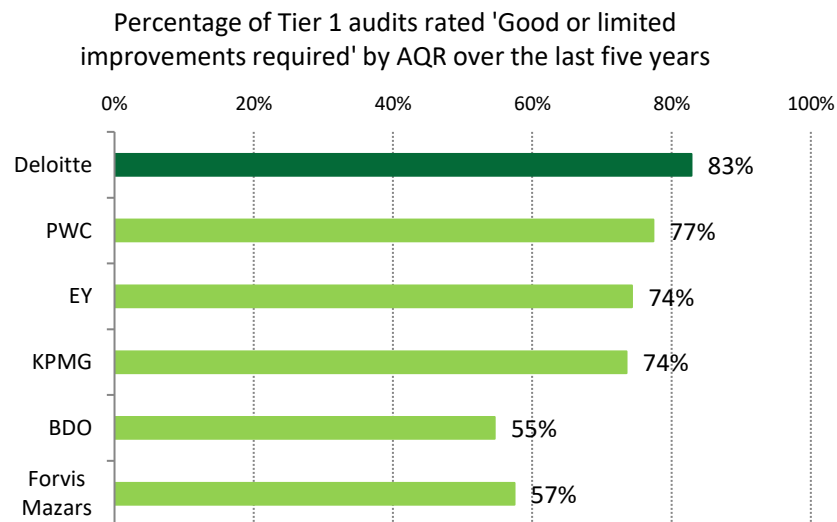
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

These sets of results reflect the continuous investment we are making and our commitment to acting in the public interest to deliver confidence and trust in business through our high quality audits. We recognise we still have more we want to do to ensure that we consistently meet the high standards we expect of ourselves. We take inspection, system of quality management ("SoQM") and supervision focus areas seriously and place a significant level of resource and effort into understanding how we continually improve going forward.

We are pleased to see the positive impact of actions taken over the last 12 months to address findings raised by the FRC. We have a reduction in the number of key findings and none of the AQR findings from the 22/23 inspection cycle have recurred as key findings in this year's cycle.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of effective group oversight, contract accounting and the challenge of management, where we have continued to take action to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



11.1 Our other responsibilities explained

Fraud responsibilities



Your responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in expenditure recognition and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

11.2 Our other responsibilities explained (continued)

Fraud responsibilities

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries in particular the Chair of the Audit and Risk Committee.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



Internal audit:

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance:

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

12 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and will reconfirm our independence and objectivity to the Audit and Risk Committee for the year ending 31 March 2025 in our final report to the Audit and Risk Committee.

Fees

The expected fee for 2024/25 as communicated by Audit Scotland in January 2025 is analysed below:

£

Auditor remuneration	182,270
Audit Scotland fixed charges:	
• Pooled costs	18,890
• Sectoral cap adjustment	1,030
Total expected fee	202,190

This expected fee does not provide for additional work at individual audited bodies for changes in ISAs such as ISA 315 and ISA 600.

There are no non-audit fees.

Non-audit services

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Board, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

13.1 Sector developments

Audit Scotland: NHS in Scotland 2024 - Finance and performance

Background and overview

The NHS in Scotland faces significant financial and operational pressures. Despite a planned increase in health spending in 2024/25 to £19.4 billion, the NHS is struggling to meet growing demand and deliver timely, quality care. The report calls for fundamental change in how NHS services are delivered, highlighting the importance for strong leadership and a clear delivery plan to ensure the future sustainability of the NHS in Scotland.

Key messages:

- Although the NHS budget is growing, it remains unsustainable which places excessive pressure on other public services. Staffing and prescribing costs are increasing which has resulted in cost pressures which NHS boards have had to manage. The risk of financial sustainability is heightened by the reliance on non-recurring savings which made up 63% of 2023/24 savings.
- Scotland's NHS boards are struggling to cope with increasing demand. Operational challenges such as increased waiting lists and waiting times are impacting patient care and hospital capacity.
- Fundamental change is needed in how NHS services are delivered, with a greater focus on prevention and care closer to home. Scotland's boards will have to make difficult decisions regarding transforming services.

Next steps

The full report is available at [NHS in Scotland 2024: Finance and performance](#).



AUDITOR GENERAL 

Prepared by Audit Scotland
December 2024

13.2 Sector Developments

Deloitte State of the State 2025

Background

Deloitte and Reform have brought together a survey of 5,000 UK citizens and interviews with over 80 public sector leaders to provide a view of the state from the people who rely on it and the people who run it, together with a possible vision for the 10 years of government ahead of the spending review.

Insights

State of the State 2025 finds the UK public more positive about government and public services than in recent years, but with a shift in their concerns: more are worried about border security and defence and fewer about climate change or social inequalities. The public's top five priorities for improvement emerged as: the cost of living; the NHS; immigration and border security; crime and policing; and jobs and economic growth.

UK public sector leaders report an upturn in optimism, but many are concerned whether the investment to deliver them will be available. They highlight the need to work together across organisations, prioritising and aligning on key projects and implementing these effectively.

Our interviews with healthcare leaders suggested a vision for 2035 where:

- Health is treated as a holistic issue connected to factors like jobs, housing, food and the environment.
- The NHS has a single online access point for patients, and multiple access points in their community.
- People understand their own health risk factors, and have the support they need to manage them.
- As the NHS Ten-Year plan is realised, the NHS supports the nation's health rather than just tackling illness.

Next steps

The full report can be accessed at: [State of the State | Deloitte UK](#)

Trust in government has improved since our last survey



Key themes from our research interviews

1. Prioritisation is good government but tough politics
Transformation is not a side-of-desk pursuit
Mission delivery relies on a shift of gravity from department to cross-government – plus skills in short supply
Growth requires boldness, seeing beyond London and understanding investors
2. One size of productivity does not fit all public services
3. As the net zero deadline draws closer, the destination looks further away
4. The prevention magic is in the spaces between public services
Devolution could change everything
Public services remain fragile but there is optimism for reform
5. After a difficult decade, the UK's mojo could be coming back
Geopolitics is in flux and front of mind in government



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