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NHS 24

Planning report to the Audit and Risk Committee on the 2024/25 audit – Issued on 5th February 2025 for the meeting on 13th February 2025

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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 24 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 £1.59m (2023/24: £1.58m) for the 2024/25 audit. This represents 1.4% (2023/24: 1.4%) of expenditure. Based on the role of NHS 24, we selected expenditure as the most appropriate benchmark.

Performance materiality has been set at £1.192m (2023/24: £1.185m), representing 75% of materiality (2023/24: 75%). We will report misstatements found in excess of £0.079m, 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):

- 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 17. We understand the financial statements are to be approved by Board on 19th 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 10 to 12. As part of this work, we will consider the arrangements in place to secure Best Value ("BV").

Team

Following the retirement of Pat Kenny, Nicola Wright will take over as audit engagement lead.

Nicola Wright
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 the Audit and Risk Committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on page 15, 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; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit;
- 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. 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 24 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 opine 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 24, 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. 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 10.

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 all frauds at audited bodies:

- Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control; or
- Over £5,000.

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.

3.1 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 24.

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 24'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 24 in preparing high quality drafts of the Annual Report and Accounts, which we would recommend NHS 24 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	✓	DI	⚠	⊗	8
Operating within the expenditure resource limit	✓	DI	⚠	⊗	9

Level of management judgement

- ⚠ Significant management judgement
- ⚠ A degree of management judgement
- ⚠ Limited management judgement

Controls approach adopted

- DI 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 operating within the resource limit. 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 test 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)

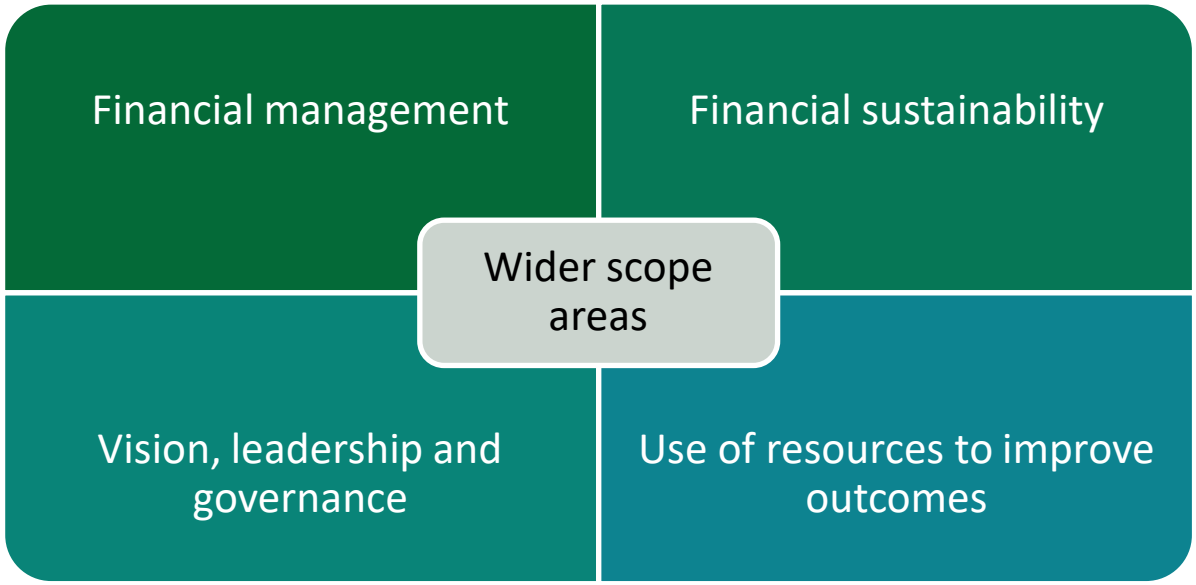
Operating within the expenditure resource limits

Risk identified	Under auditing standards, there is a presumed risk of fraud in revenue recognition. However, in accordance with Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom) auditors of public sector bodies should also consider the risk of fraud in expenditure recognition. In our preliminary risk assessment, we have rebutted the risk of fraud in revenue recognition which is consistent with our approach in the prior year. Instead, we believe that the risk of fraud should be focussed on expenditure recognition, and specifically on how management operate within the expenditure resource limits set by the Scottish Government. The risk is that the organization 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.

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	We have not identified any significant risks in relation to financial management during our planning. In 2023/24, we concluded that NHS 24 had effective budget setting and monitoring arrangements in place, supported by an experienced finance team and a robust independent internal audit function. We note that NHS 24 at Month 7 were showing an underspend of £36k. Improvements have been noted in the rate of implementation of internal audit recommendations.	We will review the budget and monitoring reporting to NHS 24 during the year, to assess whether financial management and budget setting continues to be appropriate and effective.
Financial sustainability	NHS 24's medium term financial plan covers the period from 2024/25 to 2026/27 which identifies budget gaps over the three periods. As with all public sector bodies, it is becoming increasingly challenging to balance the income expected with the increasing expenditure, while continuing to provide effective services to the public. Factors such as pay costs, and inflationary pressures will continue to challenge NHS 24's ability to create future balanced budgets. There is a significant risk that the organisation is not financially sustainable in the long term. This is due to reliance on non-recurring savings, such as the vacancy factor of £1.7m in the prior year. Further, NHS 24 are investing in digital transformation in order to improve efficiencies. These programmes carry significant risk for the organisation due to the level of investment required.	There is a significant risk that robust medium to long term planning arrangements are not in place, to ensure that NHS 24 can manage its finances sustainably and deliver services effectively. We aim to identify issues and challenges early and act on them promptly. Reliance on non-recurring savings remains a risk to NHS 24's financial sustainability. We will continue to monitor this through our review of budgets and medium-term financial planning. We will monitor if financial balance can be achieved through the development of the 2025/26 budget (including 3 year financial plan) and monitor NHS 24's actions in respect of its medium- and longer-term financial plans We will discuss with management the governance surrounding the digital programme and assess whether appropriate arrangements are in place.

5.3 Wider scope requirements (continued)

Significant risks (continued)

Area	Significant risks identified	Planned audit response
Vision, leadership and governance	We have not identified any significant risks in relation to vision, leadership and governance. Based on our risk assessment the governance arrangements continue to be robust, with a strong Audit and Risk Committee. The Board demonstrates several areas of good practice and continues to be open and transparent. This is evidenced through review of board minutes and attendance at these committees. NHS 24's Corporate Strategy 2023 – 2028 was approved by the Board in June 2023 which centres around delivering sustainable high-quality services, in a workplace where people can thrive whilst being collaborative and forward-thinking.	We will review the work of the Board and its Committees to evaluate whether the arrangements are operating effectively and are appropriate, including assessing whether there is effective scrutiny, challenge and informed decision making. This will be performed through review of Board minutes, attending Audit and Risk Committee meetings, as well as discussions with management.
Use of resources to improve outcomes	We have not identified any significant risks in relation to use of resources to improve outcomes. NHS 24 has a clear and robust performance management framework in place, which analyses data and tracks progress against targets. Regular reporting on performance is provided to the Board, therefore it is timely, reliable, balanced, and transparent. It is positive to note the proposed update to the KPI Framework and increased focus on outcomes and impact.	We will assess NHS 24's implementation of the KPI framework and whether this has increased the focus on outcomes and impact. We will assess steps taken to implement a benefit realisation framework to monitor the success of service redesign. The framework will be reviewed to ensure that objectives are reasonable, and appropriate.

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.

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.

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.

Other relevant communications

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

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

Nicola Wright

Deloitte LLP

Newcastle upon Tyne| 5th February 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.

Oversight of external audit

- 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.

Integrity of reporting

- 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.

Internal controls and risks

- 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.

Oversight of internal audit

- Consider annually whether the scope of the internal audit programme is adequate.
- Monitor and review the effectiveness of the internal audit activities.

Whistle-blowing and fraud

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

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.

Planning	Interim and wider scope	Year end fieldwork	Reporting
• Introduction and planning meetings • Discussion of the scope of the audit • Discussion of audit fees • Discussion of fraud risk assessment • Understanding of key business cycles	• Carry out detailed risk assessments • Review of Board and Audit and Risk Committee papers and minutes • Review of the work performed by internal audit • Complete wider scope procedures	• Audit of Annual Report and Accounts, including Annual Governance Statement • Year-end audit field work • Year-end closing meetings	• Reporting of significant control deficiencies • Final Audit and Risk Committee and Board meetings • Submission of final Annual Audit Report to the Board and the Auditor General for Scotland • Submission of audited Annual Report and Accounts to Audit Scotland • Complete data sets
2024/25 Audit Plan	Any additional reporting as required		
January – February 2025	March – April 2025	May – June 2025	June 2025

Ongoing communication and feedback

9 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	13 February 2025 5 June 2025 5 June 2025	31 March 2025 30 June 2025 30 June 2025
Wider scope areas	Annual Audit Plan Annual Audit Report	13 February 2025 5 June 2025	31 March 2025 30 June 2025
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	13 February 2025 5 June 2025	31 March 2025 30 June 2025
Provide assurance on specified returns	Annual Audit Plan Assurance Statement on consolidated schedules of health boards	13 February 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 (continued)

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.

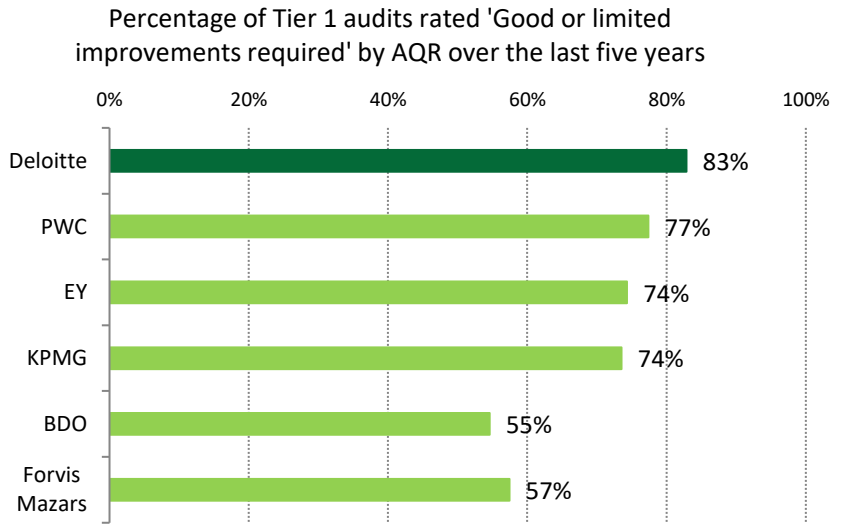
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as ‘good’ or ‘limited improvements’ and that 100% (2023: 100%) of our audits reviewed by the ICAEW’s QAD were assessed as good or generally acceptable.

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	71,090
Audit Scotland fixed charges:	
• Pooled costs	7,370
• Sectoral cap adjustment	(3,680)
Total expected fee	**74,780**

There are no non-audit fees.

Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Board's policy for the supply of non-audit services or any apparent breach of that policy. 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

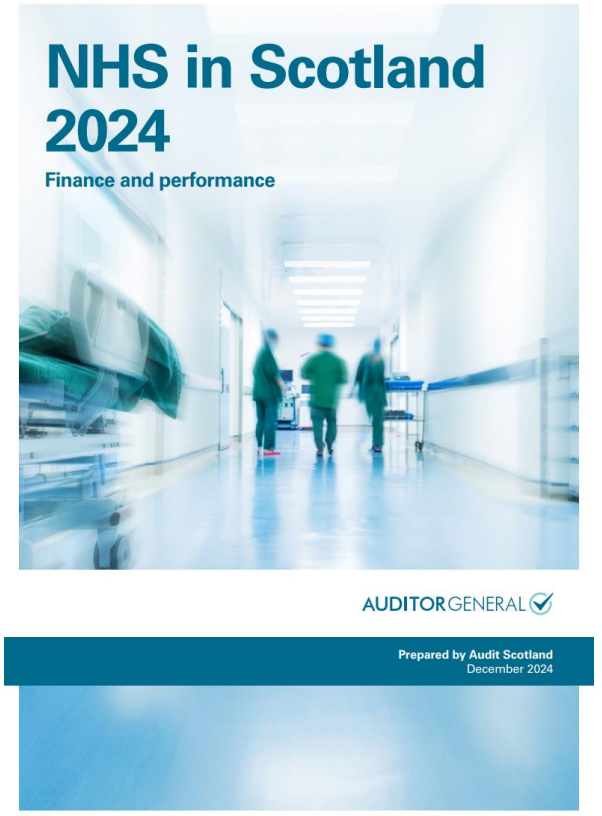
Audit Scotland: NHS in Scotland 2024 - Finance and performance

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.

13.2 Sector developments (continued)

Recently published Deloitte reports, articles & podcasts

Webcast series – 2025 life sciences and health care outlook: Navigating key trends and challenges

Deloitte is launching a new webcast series covering the life sciences and health care outlook. Life sciences and health care organizations appear to be expressing a positive outlook for 2025. There are also ways organizations can contribute even more toward health and well-being for all. Focusing on growth strategies, addressing uncertainties and competitive challenges, prioritizing health equity, investing in digital transformation and technology, and having a consumer focus are all likely to be important in the new year. We'll discuss:

- Key issues transforming the life sciences and health care ecosystem
- Understanding of recent trends in how organizations are addressing health equity
- Potential changes and challenges in 2025

Participants will evaluate trends and key challenges that may shape their organization's strategy in the year ahead.

Register at: My Deloitte

Deloitte.