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NHS 24

Final report to the Audit & Risk Committee, the Board and the Auditor General for Scotland on the 2023/24 audit

Issued on 30 May 2024 for the meeting on 6 June 2024

Contents

1.1 Partner 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.

I have pleasure in presenting our final report to the Audit & Risk Committee ("the Committee") of NHS 24 ("the Board") for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in February 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, we have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the Board. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 9. The Board met its financial targets for 2023/24, achieving a small surplus of £99,000.

No material errors have been identified to date and there are no uncorrected misstatements. Two corrected misstatements in excess of our reporting threshold of £79,000 has been identified up to the date of this report which is included within the Appendix to this report. This has no impact on the final results of the Board.

1.2 Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work

- ***Financial management*** **–** NHS 24 continues to have effective budget setting and monitoring arrangements are in place.

- ***Financial sustainability –*** NHS 24 has achieved financial balance in 2023/24 and has set a balanced budget for 2024/25, therefore is financially sustainable in the short-term.

Vision, leadership and governance – 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.

Leadership has generally been effective during the past year and we note that the Board members we spoke to as part of our work reported a positive working culture with appropriate challenge, trust and collaboration

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.

- Performance continues to be impacted by an increasing demand for services and staff absence during 2023/24. It is important these aspects are considered and taken into account in future resource planning, both from a funding perspective and workforce.

1.3 Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

- ***Best value*** - NHS 24 has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk with continued reliance on non-recurring funding.

  Next steps

  An agreed Action Plan is included on pages 41 to 48 of this report, including a follow up of progress against prior year actions.

  Added value

  Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

  We have also included our "sector developments" on page 36 where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the NHS.

Pat Kenny
Lead audit partner

Annual Report and Accounts Audit

2 Quality indicators

Impact on the execution of our audit

Lagging Developing Mature

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Deliverables and responses to follow ups provided promptly	Not Applicable
Adherence to deliverables timetable		Annual Report was available at the start of the audit, but not in the appropriate format. Majority of requests for supporting evidence were actioned promptly and of good quality	Not Applicable
Access to finance team and other key personnel		Finance team have been accessible throughout, with the audit team informed of holidays in advance of audit fieldwork.	Not Applicable
Quality and accuracy of management accounting papers		No management papers in the current year. Our testing did not identify any significant issues with quality of documents provided.	Not Applicable
Quality of draft Annual Report and Accounts	!	Quality of the first draft was generally of a high standard. However, certain areas were incomplete. Review comments were addressed promptly and change logs provided.	Not Applicable
Response to control deficiencies identified		One control deficiency has been identified in regard to evidence of Invoice Date received. No other issues noted.	Page 14
Volume and magnitude of identified errors	!	Two misstatements above our reporting threshold were identified, The misstatements are not material and have no impact on NHS 24's financial results. There has been corrected by management.	Page 49

3 Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

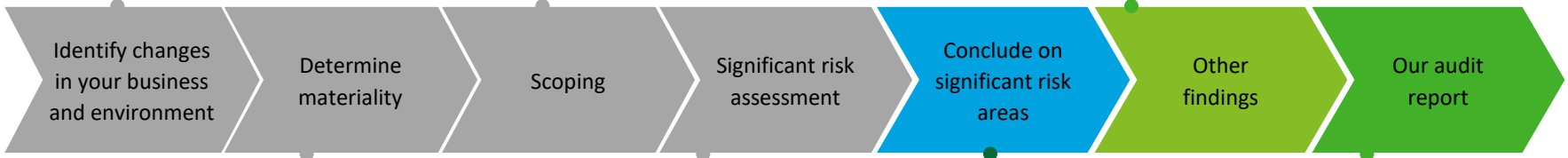
In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit, further detail of which is found on page 15 to 16.



Determine materiality

When planning our audit, we set our materiality at £1.580m based on forecast gross expenditure. We have updated this to reflect final figures and performed our audit to materiality of £1.580m, performance materiality of £1.185m,and report to you in this report all misstatements above £79,000.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit & Risk Committee's attention our conclusions on the significant audit risks. In particular the Audit & Risk Committee must satisfy themselves that management's judgements in are appropriate.

Our audit report

Following the completion of audit procedures, we have issued an unmodified audit report.

4.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Satisfactory	⚠
Operating within the expenditure resource limit	✓	DI	Satisfactory	⚠

Consistency of judgements with Deloitte's expectations

- ⚠ Consistent
- ⚠ Improvement required
- ⚠ Inconsistent

Controls conclusion

- Satisfactory
- Not Satisfactory

Controls approach adopted

- DI Assess design & implementation

4.2 Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing.

4.3 Significant risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around expenditure recognition (see page 14). This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management's key estimates and judgements including:

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Clinical Negligence and Other Risks Indemnity Scheme ('CNORIS') provision	NHS bodies in Scotland are responsible for meeting negligence costs up to a threshold of £25,000 per claim. Costs above this threshold are reimbursed from the CNORIS scheme by the Scottish Government. The provision is based on information provided to the Board by the Central Legal Office (CLO) based on the information on claims and historical experience. The Board provide 100% for Category three claims and 50% for all Category two claims. As at 31 March 2024, there were 18 current claims specific to NHS 24 included in the provision. The Board also provides for its liability from participating in the scheme. This provision recognises NHS 24's respective share of the total liability of NHS Scotland as advised by the Scottish Government, based on information from NHS Boards and the CLO.	We have obtained independent confirmation directly from the CLO of all outstanding claims for NHS 24 at 31 March 2024, reconciled this to the amount recognised, and challenged management's provision policy and concluded that it is reasonable. We have conducted a subsequent events review of the provision to ensure that it is complete as at 31 March 2024, with no issues arising. The provision for NHS 24's share of the national liability is calculated by the Scottish Government based on information from the CLO in relation to all Boards. We have obtained assurance from Audit Scotland on the methodology used in the preparation of these figures and the relevance and reliability of the information provided by the CLO.

4.4 Significant risks (continued)

Management override of controls (continued)

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Dilapidations	As at 31 March 2024, NHS 24 has a provision of £1.477m for dilapidations with no change to the provision from 2022/23. The value of the provision is based on an assessment from Avison Young in 2020/21 and comprises costs required to restore five of NHS 24's leased buildings to their original state.	We have assessed the use of information provided by the independent experts and confirmed the existence of the obligation to provide for dilapidations within the lease agreements. We have reviewed both confirmatory and contradictory evidence and concluded that the value provided is reasonable and that the provision has been appropriately disclosed in line with reporting requirements.

4.5 Significant risks (continued)

Operating within the expenditure resource limits

Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for NHS 24 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 considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a 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.

Deloitte response and challenge

We have evaluated 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 included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to NHS 24 by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.

Deloitte view

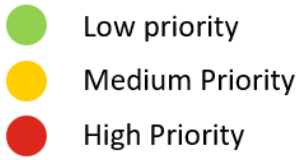
We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing, we confirm that the Board has performed within the limits set by Scottish Government achieving a small surplus of £99,000 and therefore is in compliance with the financial targets in the year.

We currently note that no material misstatements were found in our accruals testing that would impact NHS 24's financial statements.

5 Your control environment and findings

Control deficiencies and areas for management focus



Observation		Deloitte recommendation	Management response and remediation plan
Insufficient audit evidence relating to invoice received date- NHS 24 receive invoices through their purchase ledger email box. When these invoices are sent to National Services Scotland (NSS) for processing, the emails are deleted. Therefore, Deloitte have not been able to use this as reliable audit evidence for date of receipt and instead, had to use the invoice register and the invoice date to provide assurance over the date invoices were received. Where samples were impacted by the above issue, we have applied professional judgement on a case-by-case basis.		It is recommended that management retain emails after sending to NSS for audit evidence of the date in which invoices are received. As this is used within the calculations, which will allow the audit team to determine if the calculation is in line with our expectations.	NHS 24 use the invoice date rather than the invoice received date for our payment policy statistics. This is likely to understate how promptly invoices are paid. The received date is only used at year end when classifying accruals in the financial statement as accruals or as a trade payable. As NSS provide purchase ledger services we will work with NSS to see if they can provide external confirmation of the invoice dates. If not, NHS 24 will retain the invoices emails to allow the dates to be sampled as part of future audits.

6 Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

NHS 24's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

Significant matters discussed with management include Management override of controls and operating within the resource limits discussed on page 10 to 13.

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, with 2022/23 being the first year of implementation and we did not identify any significant issues on adoption of the new standard. In 2023/24, we have not identified any significant issues within our testing.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant audit risks identified (as discussed further on pages 9 to 13), no reliance was placed on the work of internal audit, and we performed all work ourselves.

Further consideration of internal audit is discussed under our wider scope conclusions on pages 21.

We have obtained written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

7 Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the Annual Report and Accounts

Our opinion on the financial statements is expected to be unmodified.

Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.

Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 17.

8 Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

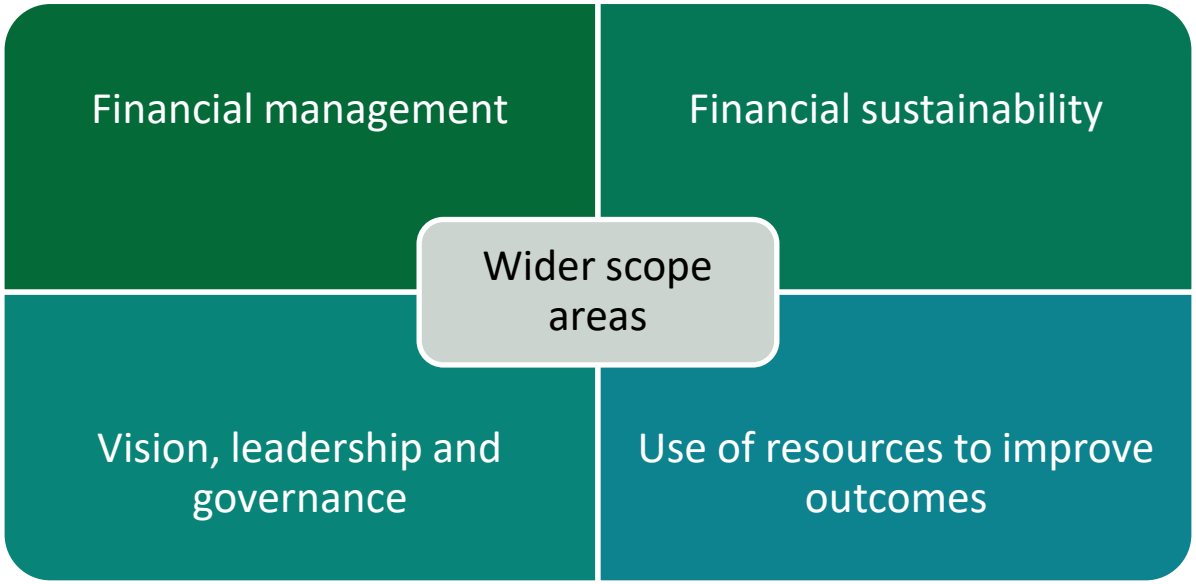
	Requirement	Deloitte response
The Performance Report	The report outlines the Board's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Board.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes. This included additional disclosure regarding the declaration of intent for improving outcome Key Performance Indicators. We have recommended the performance report to be a total of 10-15 pages, in line with the FReM. Management will consider this when preparing next years report.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes. Management have updated some for these comments in a subsequent version. We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction.

Wider scope audit

9.1 Wider scope requirements

Overview

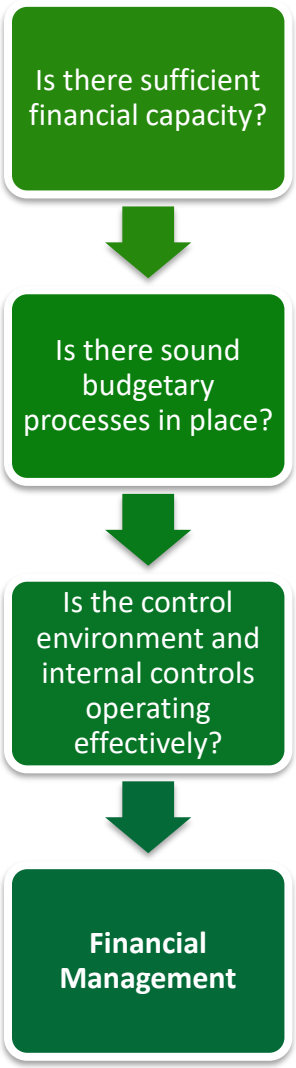
As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional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



Our audit work has considered how the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

9.2 Wider scope requirements (continued)

Financial management



Significant risks identified in Audit Plan

We did not identify any significant risks in relation to financial management during our planning work. We have therefore restricted our audit work to reviewing the budget and monitoring reporting to NHS 24 during the year to assess whether financial management and budget setting continues to be effective.

Current year financial performance

The **2023/24 budget** was approved by the board on 27 April 2023. The budget has been updated to include in year movements with the final outturn of £126.9m, reporting an underspend of £99k (0.1%) against the budget. This has reduced in the year, from a projected underspend of £500k reported in M11.

The underspend was achieved with key contributing factors including:

• 2022/23 had a large planned overspend on technology maintenance contracts and works in relation to the technology change program, to allow for a major infrastructure upgrade. These were non-recurring so there was a corresponding £3.1 million fall in these costs for 2023/24.

•2023/24 saw a 6% increase in salaries across NHS 24 and increased headcount, resulting in staff costs increasing by £9m.

• Budget had also increased from £106.37m in 2022/23 to £110.6m in 2023/24, which is another contributing factor.

9.3 Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

In setting its budget, the board recognised the key risk, that NHS 24 will not be in balance, year by year, if actions are not taken. NHS 24 are to breakeven in the new financial year, however there is reliance on non-recurring funding to do so.

Regular reporting has been provided to the Executive Management Team (EMT) and Planning and Performance Committee (PPC) on the variances and projected position. Reporting has been provided to the Audit and Risk Committee (ARC) for assurance.

There is also a clear link between the financial information presented during the year and the final position as reported in the Annual Report and Accounts.

The approved budget included a need to make savings of £2.87 million, based on 3% of baseline funding, Progress against these savings is reported as part of the regular monitoring to EMT, the PPC and the Board. They had a recurring gap and non-recurring savings were required to get a balanced budget, see page 20.

Finance capacity

The finance team has remained consistent throughout the year, being led by the Director of Finance and Deputy Director of Finance. We have not identified any risks with the team's capacity that would impact on the financial management of the Board.

Internal controls and internal audit

The Board has comprehensive financial regulations in place, which were last reviewed and updated in February 2024.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2023/24 Internal Audit Plan was approved by the Audit Committee in June 2023.

The plan included 130 audit days assigned across a number of assignments. Summary reports are provided to the Committee for each assignments.

We have noted that good progress has been made by the organisation in responding to internal audit recommendations throughout the year. As at February 2024, internal audit reported to the ARC that of the 8 actions to follow-up for the quarter, 4 were closed leaving 4 remaining actions to be carried forward. We note that these actions are open but not past their due date. None of the outstanding actions are high-risk.

9.4 Wider scope requirements (continued)

Financial management (continued)

Standards of conduct for prevention and detection of fraud and error

We have assessed the Board's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2022/23". Overall, we found the Board's arrangements to be designed and implemented appropriately.

National Fraud Initiative (NFI)

All NHS Boards are participating in the most recent NFI exercise. We have monitored NHS 24's participation and progress in the NFI exercise. A report was considered by the Audit Committee in February 2024 as part of a wider corporate fraud plan update. At the date of assessment, the board had investigated and cleared 134 matches, with 4 payroll to payroll matches still under investigation. We concluded that NHS 24 had a green rating.

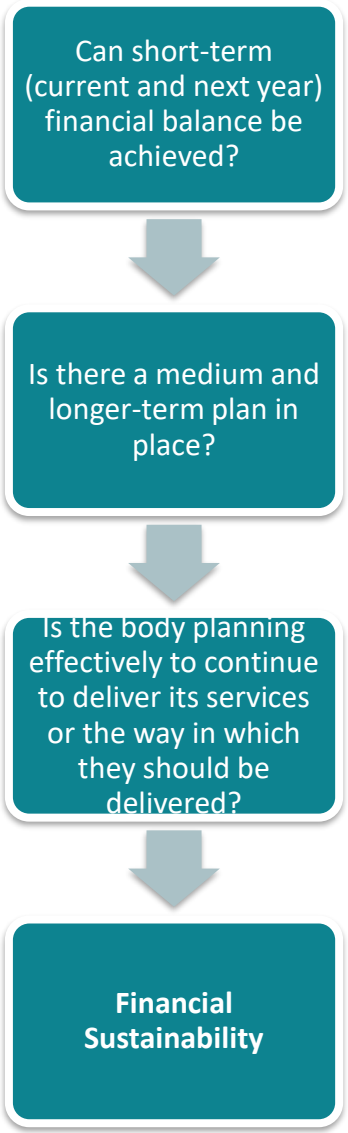
Deloitte view – financial management

NHS 24 continues to have effective budget setting and monitoring arrangements in place. The reporting has been considered and is appropriate supported by a consistent and experienced finance team.

A robust independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error.

9.5 Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that NHS 24's medium term financial plan, covering the period 2024/25 to 2026/27, identified budget gaps over this period. 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 continue to challenge NHS 24's ability to create future balanced budgets. We therefore identified that there was a significant risk that robust medium-to-long term planning arrangements were not in place to ensure that NHS 24 can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly. We have considered these aspects on the following pages.

2024/25 budget setting

The Board approved a balanced budget of £124m for 2024/25 in April 2024. The budget was prepared in consultation with relevant groups including EMT, the PPC and a Board workshop in March 2024.

The following key highlights are noted:

- NHS 24 is budgeted to breakeven, however there is reliance on non-recurring funding to do so

- Prior to efficiencies, the plan highlighted a £4.8m funding gap. Savings options were developed and provided for consideration. The 'optimistic' savings scenario outlined in the plan is required to be realised in order to achieve a breakeven position. This comprises £2.4m recurring and £2.4m non-recurring savings. The 'realistic' scenario identifies £2.2m recurring savings and £2.0m non-recurring savings which results in a residual deficit of £0.6m.

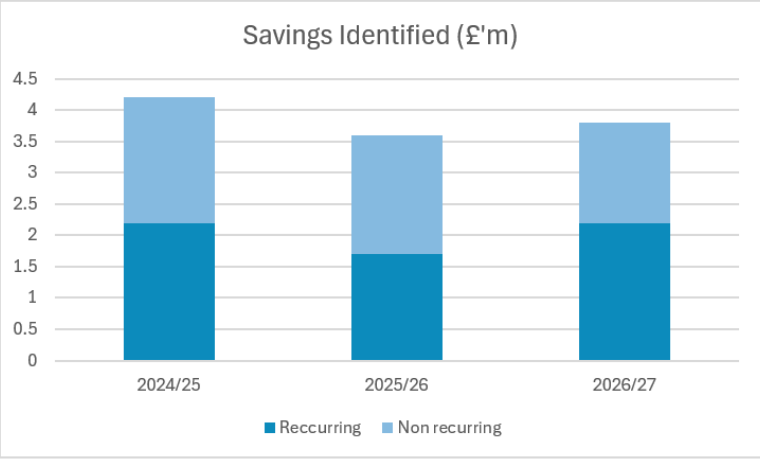
9.6 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning

At the same time as approving the 2024/25 budget, the Board also approved the 3-year plan covering the period 2024/25 to 2026/27. This is in line with the requirements from Scottish Government for all Health Boards to provide a 3-year financial plan.

The expected savings required over the 3-year period are illustrated below, This demonstrates that NHS 24 will require to identify and achieve an increasing level of savings on a recurring basis to achieve financial balance.



The Medium-Term Financial Plan identifies a cumulative deficit before savings of £12.0m. When savings (under the 'realistic' scenario) are considered, the residual deficit declines to £0.6m in 2024/25 and break even for the further 2 years.

There are only detailed considerations of the required savings for year 1 of the plan. 48% (£2.0m) of the anticipated savings in 2024/25 are from non-recurring savings. This is largely made up of savings from the 2% vacancy factor of £1.7m. The remaining balance of savings anticipated are on a recurring basis, including £0.8m savings from shift review and a £0.3m saving from the virtual queue call cost reduction.

Discussions with Board members indicate an awareness of the key drivers of demand which has been driven by growth in use of services. The impact of inflation and the uncertainty it brings are noted by management. There is therefore a clear understanding from management.

The MTFP does not make clear how planned savings might affect quality of service delivery or provision of services, for example the impact of the vacancy factor and whether this translates to a lack of resources to be able to provide services at optimal levels.

NHS 24 has no borrowings or Public Finance Initiatives ('PFI') and therefore the implications of borrowings are not set out.

Capital spend is not anticipated to be material in the period covered by the MTFP, forecast at £0.269m in 2024/25, representing less than 1% of all expenditure.

9.7 Wider scope requirements (continued)

Financial sustainability (continued)

- While savings options for recurrent savings are detailed in the plan, non-recurrent savings are classed as “vacancy factor” and therefore not evidence based. Management has recognised that this is unsustainable.
- While scenario planning and assessment of service demand has been undertaken as part of the Redesign of Urgent Care and Mental Health Funding, this was not included in the budget reporting to the Board.
- Whilst NHS 24 has made assumptions around inflation and cost increases, given the uncertainty with these, we would expect scenario planning to include a “worst”, “best” and “likely” scenario to allow the Board to manage its risks.
- There are no clear links to the corporate strategy, with the only reference being to meet the financial targets. Best practice would recommend demonstrating how the financial plan will allow NHS 24 achieve its wider objectives, e.g. linking to outcomes.
- While financial risks are highlighted, we would expect the plan to also highlight other risks to NHS 24, e.g. if expenditure increased and savings had to be achieved elsewhere to breakeven, what is the potential risk to service delivery

Deloitte view – Financial sustainability

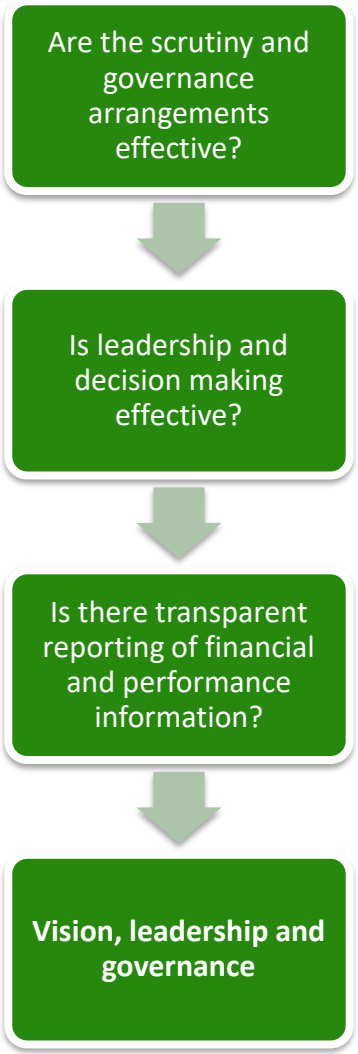
NHS 24 has achieved financial balance in 2023/24 and has set a balanced budget for 2024/25, therefore is financially sustainable in the short-term. While budgets have been set to incorporate non-recurring savings based on a vacancy factor, this has not been required in recent years and instead the organisation was able to create an invest to save pot.

NHS 24’s 3-year plan identifies an increasing level of savings required. While the reliance on vacancy targets as non-recurring savings reflects the reality of staff turnover and builds flexibility into the budget, it is inconsistent with the longer-term plans of NHS 24.

There also remains reliance on non-recurring funding to achieve a breakeven position. NHS 24’s Financial Plan could be further enhanced, with reference to best practice by expanding to a longer timescale of between 5-10 years, incorporating scenario planning, impact on service demand and linking to its corporate strategy and wider risks.

9.8 Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

We did not identify any significant risks in relation to vision, leadership and governance during our planning work. We therefore restricted our audit work to reviewing the work of the Board and its Committees to assess whether the arrangements continue to operate effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.

Vision and strategy

NHS 24's Corporate Strategy for 2023-2028 was approved by the board in June 2023. The strategy is designed to embody a sustainable, high quality health service, easily accessible to all using next generation technology to help people identify and access the right type and level of support. Key elements of the new strategy include:

- ***Sustainability –*** Environmental sustainability is a key focus by enabling people to access 'Right Care Right Place' and therefore reduce the need or distance required to travel to access healthcare. Equally, by developing a truly accessible omni-channel model (where people have a choice of how they engage with services on their own terms) could materially reduce the burden on territorial Health Boards (making them more sustainable).
- ***Equalities*** – Accessibility of NHS 24 services is a key focus, ensuring that even in an increasingly digitalised society, NHS 24 is accessible to all aspects of society. In addition, the strategy has enhanced focus on workforce equalities.
- ***Continuous improvement*** – While there are currently elements of continuous improvement successfully implemented within NHS 24, such as the development of the call handling process, this is not widely embedded, and the new strategy recognises the need to build capacity to do this.

9.9 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Community engagement

NHS Boards in Scotland have a duty to involve people when new services are being planned, or when changes to existing services are being considered, as set out in the Planning with People Scottish Government guidance.

NHS 24 involve people in the design, development and improvement of their services on the understanding that effective community engagement will help them create services that everyone can fairly benefit from. Community engagement within NHS 24 takes place as follows:

- NHS 24 Public Partnership Forum (PPF);
- NHS Youth Forum; and
- Wider community engagement through surveys, focus groups or engagement with third sector organisations linked with community engagement groups.

Significant engagement took place to guide development of the 2023-2028 Strategic Plan. As part of the 'Gathering Views' phase, 12 facilitated discussions took place with NHS 24 staff, surveys were completed by 165 professional stakeholders, 86 members of staff and 203 members of the public, and over 300 people attended facilitated focus groups and events, including the public, third sector and health and social care staff.

Regular updates on the development of the 2023-2028 organisational strategy are provided to the Board, and these are publicly available on the NHS 24 website.

Leadership

In the year 2023/24 there have been 2 changes to the Board in the year: the Vice Chair Mike McCormick reached the end of his term and was replaced by Alan Webb (continuing Board member); and Amina Khan joined the Board in December 2023. There have also been changes at the senior management level including the Medical Director and Director of Service Delivery. Apart from these changes the NHS 24 Board members and the Executive Management Team have remained consistent during 2023/24. From our audit work, we have identified a positive culture of cooperation and working constructively in partnership.

9.10 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Internal Audit

Internal Audit carried out a review of "Leadership and Culture" during 2023/24. The report provided "reasonable assurance with some improvement required" and highlighted the following findings:

Area considered by Internal Audit	
Whether there is a clear and consistent message of what behaviours are expected in order to create the 'optimum' behaviours for NHS 24, whether it is shared across NHS 24 and as a result whether culture is embedded.	2 Low rated findings and one improvement rated findings.
Whether leadership is visible, there is clear or consistent tone from the top, staff are proud or passionate about what they do.	1 medium rated finding and 1 low rated finding.

We have noted from internal audit's Q1 and Q2 follow-up reports that these recommendations have now been implemented. The Board has robust governance and scrutiny arrangements in place. It makes effective use of internal audit and responds positively to IA findings and recommendations.

Deloitte view – Vision, Leadership and Governance

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 a collaborative forward-thinking.

Leadership has generally been effective during the past year and we note that the Board members we spoke to as part of our work reported a positive working culture with appropriate challenge, trust and collaboration

The Board has robust governance and scrutiny arrangements in place. It makes effective use of internal audit and responds positively to IA findings and recommendations.

9.11 Wider scope requirements (continued)

Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?

Is there effective planning and working with strategic partners and communities?

Is Best Value demonstrated, including economy, efficiency and effectiveness?

Use of resources to improve outcomes

Significant risks identified in Audit Plan

In our audit plan we highlighted there is a risk that performance reporting has not been timely, reliable, balanced and transparent. We will assess NHS 24's implementation of the new 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.

Performance management framework

NHS 24 has evolved its key performance indicators (KPIs) framework over the last few years to more appropriately align to the change in operational model since 2019 and the move to deliver increased care at first contact. This evolution also reflects the significant increase in demand and changing role for NHS 24 in delivering additional pathways such as redesign of urgent care and mental health services.

The latest corporate performance report to March 2024 details performance for the 2023/24 financial year. Based on 1.4m calls answered out of 1.7m calls: challenges remained with meeting access targets – with Patient Journey Time, median and 90th percentile time to answer all missing their targets. Meanwhile Clinical Supervision and Call Taker availability remained a key challenge.

9.12 Wider scope requirements (continued)

Use of resources to improve outcomes

Key Performance Indicator Updates

NHS 24 has operated with an interim KPI framework in place since 2021/22, to reflect the expansion of service, increased demand and challenges of the pandemic. In 2023/23 the new framework set out below retains much of that interim suite of measure, but also looks to position the services that NHS 24 offers more tangibly within the wider health and care system.

Similarly, the new framework also seeks to better reflect how NHS 24 services have evolved in recent years, to be truly 24/7 and to demonstrate the value add for patients and citizens, our partners across the health and care system and our staff and continuing to ensure NHS 24 is focussed on improving the service it provides.

This framework also reflects the ambition and direction of travel for NHS 24 in developing access through digital channels and continuing to expand this offering, moving to contact based reporting over time as they transform our digital infrastructure, therefore KPI's should monitored to ensure they continue to reflect the strategy of NHS 24.

The new KPI Performance Framework was implemented during the year covering 5 areas:

- Patient Experience;
- Whole System Impact;
- Access;
- Digital;
- Staff Experience.

The framework was signed off in September 2023 with FY23/24 reporting retrospectively amended to reflect the new measures which continue to follow a green / amber / red reporting system.

The new KPI Performance Framework provides greater emphasis on outcomes and impact, which are the true reflections on NHS 24's performance.

Under the new framework NHS 24 are meeting targets in most of the areas reflected above. unfavourable outcomes observed in only two elements of the framework: Patient Experience and Access.

9.13 Wider scope requirements (continued)

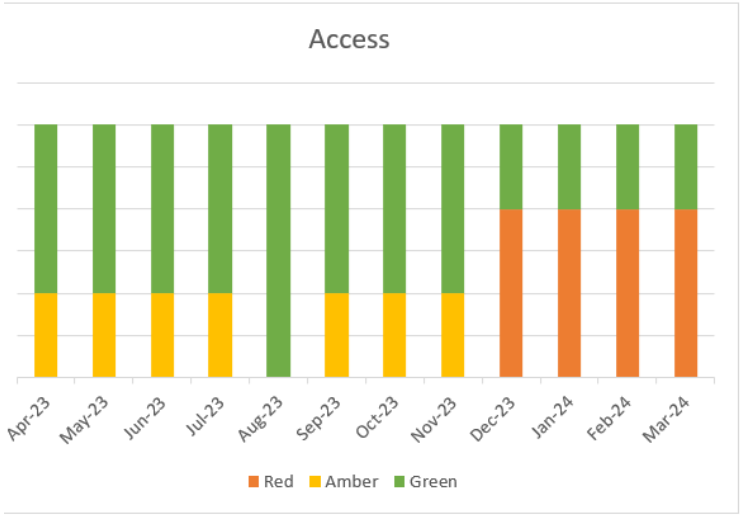
Use of resources to improve outcomes

Performance data

A summary of the performance reported to the Board during the year is provided in the graphs opposite. Key highlights are:

- Performance against **Telephone Access** targets has varied across the year, with a significant dip in the months December to March, where NHS has mostly remained off target. This was due to a combination of call volume increases and Clinical Supervisor availability over these months, due to annual leave and/or absence. These individuals are key to triage, therefore with limited availability, calls last longer, and making the time for access for others longer. NHS 24 recognises that decreasing the average handle time is one of the main contributing factors in improving access and there is ongoing work aimed at improving average handling time. December to March include the winter months therefore increased call volumes and demand for services are expected due to the likes of seasonal flu.

- **Staff Experience** performance has been consistent during the year, with staff attendance continuing to miss the target of 96%. This will have an impact on NHS 24's ability to deliver services to patients. The "I-matters" indicator has continually performed in line with targets. I-matter is a tool used within NHS Scotland to measure and enhance motivation, support and care for employes at work. Engagement score is the % of staff who participate in survey. This has remained high overall for 2023/24 at 74.



On target | Marginally off-target | Off-target

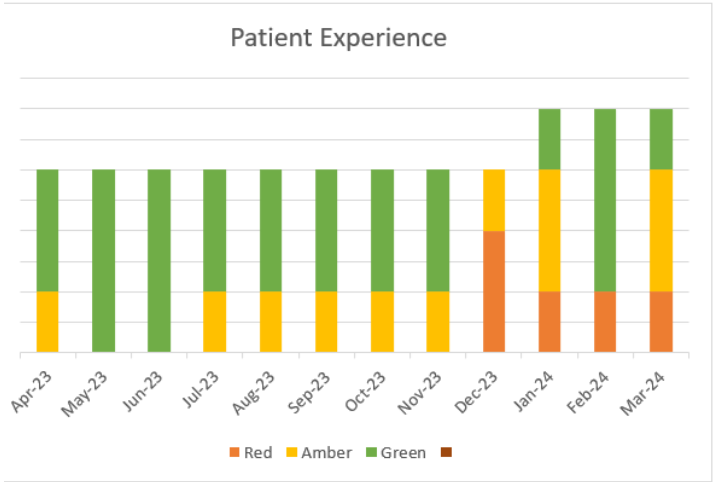
9.14 Wider scope requirements (continued)

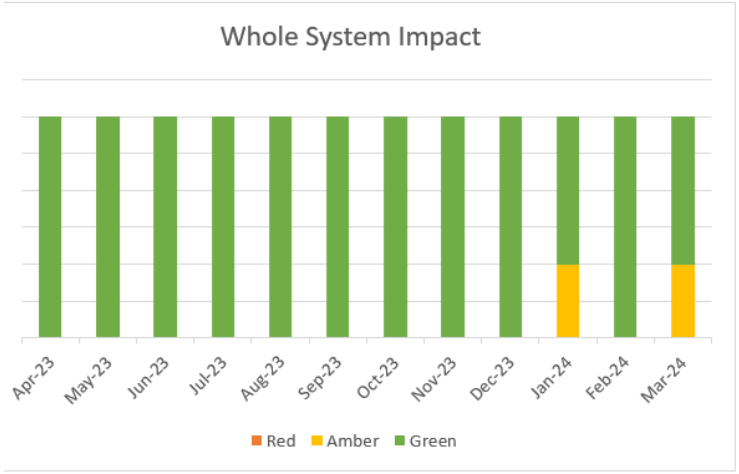
Use of resources to improve outcomes (continued)

Performance data (continued)

- In January 2024 the **patient experience** indicators introduced a new KPI of % of patients with a positive experience using 111 service, with the target being 90%. They achieved this target within February but have marginally missed within the remaining months. Patient Journey Time has remained consistent with the indicator reporting as “amber” or “red” throughout the year. The March 2024 average journey time was 46.44 minutes. This missed the target of 30 mins, and is the longest average since December 2022.
- **Whole System Impact** has been introduced as a KPI in the current year, with NHS 24 mostly performing on target. This is the impact of NHS 24 Triage on wider systems, including out of hour referrals and referrals to secondary care options etc. They continue to hit or are marginally off target.
- **Digital Access** is also a KPI for NHS 24, however targets had not been set for 2023/24.

The reporting to the Board provides comprehensive analysis of the performance throughout the year. One of the key messages is that demand for services has continued to increase during 2023/24, putting additional pressure on the service. As discussed further on page 24, it is important that NHS 24 consider the estimated demand in its future financial plans to consider both funding and associated workforce to ensure that there is sufficient resource in place to meet this demand.





On target Marginally off-target Off-target

9.15 Wider scope requirements (continued)

Use of resources to improve outcomes

Continuous improvement

A key theme of the revised Corporate Strategy is one of transformation:

"It recognises the need for NHS 24 to refresh our digital capabilities, with work already underway to identify future requirements and next generation technology, providing a foundation for truly transformative change to how we deliver services and our ways of working".

One example of where NHS 24 has changed the way services have been provided in recent years, is the recent Redesign of Urgent Care. Internal Audit carried out a review of this work, with a report presented to the Audit and Risk Committee in October 2022. The internal audit report provided "reasonable assurance" and raised one low level finding in relation to cost benefit analysis not being completed and issues not escalated which will prevent lessons being learned and improvement to programme delivery implemented timely. A number of areas of good practice were identified in the internal audit review. It is important that NHS 24 implement a benefits realisation framework to monitor the success of service redesign and whether the expected outcomes have been achieved.

It is also important that NHS 24 assess the workforce requirements in terms of both capacity and capability, to implement the new strategy. Given the current pressures on workforce as discussed on page 24, this remains one of the biggest risks to NHS 24 achievement its objectives.

Deloitte view – 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 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.

NHS 24 has a clear focus on continuous improvement, as evidenced within its updated Corporate Strategy. There is a need to implement a benefits realisation framework to monitor the success of any service redesign.

Performance continues to be impacted by an increasing demand for services and staff absence during 2023/24. It is important these aspects are considered and taken into account in future resource planning, both from a funding perspective and workforce.

9.16 Wider scope requirements (continued)

Best value

Requirements

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 (BV).

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 have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
    - Vision and Leadership
    - Governance and Accountability
    - Use of resources
    - Partnership and collaborative working
    - Working with Communities
    - Sustainability
    - Fairness and equality

Conclusions

NHS 24 has a number of arrangements in place to secure best value. As noted elsewhere within this report, the updated Corporate Strategy provides a clear vision and has specific focus on some of the BV characteristics including sustainability, fairness and equalities. There is strong leadership in place with a positive culture on collaboration.

Financial sustainability remains a key risk, as is the case across the public sector. NHS 24 has recognised the need to make recurring savings and develop KPIs to demonstrate how the services provided impact on outcomes.

Deloitte view – Best Value

NHS 24 has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk with continued reliance on non-recurring funding.

10 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 help the Audit & Risk Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, 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.

What we don't report

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

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

Deloitte LLP

Glasgow | 30 May 2024

Sector developments

11.1 Sector developments

The future unmasked – Predicting the future of healthcare and life sciences in 2025

Background and overview

What does the future hold for the life sciences and healthcare industry? Our latest predictions report looks ahead to the year 2025 to help you see what's coming and to keep your organisation moving forward.

Each prediction is brought to life through snapshots of how patients, healthcare and life science companies and their staff might behave and operate in this new world. We explore the major trends and the key constraints to be overcome; and identify the evidence today to predict how near that future might be.

This year, inevitably, our predictions have been informed by the unparalleled impact of the COVID-19 pandemic on society in general and more specifically on how people perceive health risks. We have seen a new public appreciation of the contribution that healthcare and life sciences companies are making to each countries response and how these companies are paving the way for a new era of collaboration to identify and implement solutions. A key stand out has been the huge acceleration in the pace and scale of technology-enabled transformation across the whole health ecosystem.

Next steps

The full report is available at The future unmasked

11.2 Sector developments (continued)

NHS in Scotland Overview 2023

Background and overview

The Auditor General for Scotland published his NHS in Scotland 2023 overview report in February 2024. This concluded that in order to shift from recovery to reform, the Scottish Government needs to lead on the development of a clear national strategy for health and social care.

The current absence of an overall vision makes longer-term planning more difficult for NHS boards.

Key messages

- Significant service transformation is required to ensure the financial sustainability of Scotland's health service.
- The NHS, and its workforce, is unable to meet the growing demand for health services.
- There are a range of strategies, plans and policies in place for the future delivery of healthcare, but no overall vision.

11.3 Sector developments (continued)

NHS in Scotland Overview 2023 (continued)

Recommendations (relevant to NHS boards)
The Scottish Government and NHS boards should: • Work together to progress the 13 actions set out in the Value Based Health and Care Action Plan, empowering staff to take advantage of innovative opportunities for service reform and transformation and measuring the difference that Realistic Medicine is making to outcomes and service sustainability. • Ensure that the new approach to self-assessment within the revised Blueprint for Good Governance in NHS Scotland is rolled out across all NHS Boards in 2024 and that any areas for improvement identified are addressed.

Next steps
The Board should consider each of the above recommendations and incorporate into plans where not already considered. The full report is available through the following link: NHS in Scotland 2023 | Audit Scotland (audit-scotland.gov.uk)

Appendices

12.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work to the date of our report:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. **Performance Summary Length** – Deloitte propose that NHS 24 should review their performance summary in line with the FReM guidelines. Guidelines state that the performance summary should be between 10-15 pages. The current length is 26 pages. Management will consider this when preparing next year's Annual Report.	In the Annual Report contents page we are clear that the performance analysis section is from page 25 to 38.	Low	Director of Finance	March 2025

12.2 Action Plan (continued)

We have followed up the recommendations made in 2022/23. We are pleased to note that the 7 recommendations have been fully implemented as documented below.

Recommendation	Management Response	Priority	Management update 2023/24
1. Medium to long term financial planning Management should consider enhancing its financial planning to incorporate the following: • Medium to long term financial planning to cover a period of between 5-10 years. • Scenario planning to include a "worst", "best" and "likely" scenario to allow the Board to manage its risks. • An assessment of service demand and what impact this is expected to have on future expenditure should be considered. • clearly link to the corporate strategy, demonstrating how it will allow NHS 24 achieve its wider objectives. • While financial risks are highlighted, it should also highlight other risks to NHS 24.	NHS 24 adhere to current 3 year planning cycle as per guidance to NHS Boards. The Finance Plan will align with the medium-term strategy for the Board. Unless SGHSCD move to a longer planning cycle it is not felt to be beneficial for NHS 24 to change its planning timelines at present. Performance via call demand, workforce projections and the Corporate Risk Register do influence the finance plan. Scenario planning was in place for developments such as Mental Health and Redesign of Urgent Care and was included in the Board Workshop on the finance plan when reviewing potential pressures and efficiencies for the new financial year. We will document that the finance plan is the culmination of defined planning processes to agree funding of the Board priorities to best meets its strategic objectives while achieving financial balance.	Low	The Finance Plan and Corporate Delivery Plan were aligned in-year and submitted to SGHSCD at the same time, ensuring that all proposed deliverables were synced. The Finance Plan continues to be prepared on a 3 year basis in line with SGHSCD guidance. Scenario planning was used within the savings page of the finance plan (p10) to highlight that this year requires the best case to be achieved, then demonstrates that every % reduction in inflation could result in cost reductions of £0.2m (p12). The 24/25 finance plan recognises on page 16 the wider organisational risks of the finance plan and also potential opportunities.

12.3 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
2. Performance management framework Data systems need to be in place to be able to capture performance information to allow the Board to measure this against outcomes.	NHS 24 is only one part of a possible patient journey. As such, tracking wider system patient outcomes is not within our control. However, NHS 24 has a strategic commitment, via Value Based Health & Care, to providing the best possible experience and outcomes for people that use and deliver our services. This will be embedded in a refreshed approach to quality management and ensuring the continuous improvement of services (including omnichannel developments like the NHS 24 app) through review and effective use of available data, insight and intelligence. From a data perspective this should further be improved by embedding speech analytics in 2023/24. NHS24 regularly review triage protocols to reduce user effort and optimise outcomes to deliver care closer to home to meet patient and partner needs.	Medium	NHS 24's new KPI framework was approved by Scottish Government in 2023 and has been the basis of all corporate performance reporting since September 2023. This includes metrics that show the impact of 111 outcomes in referrals into the wider healthcare system. From November 2023, NHS 24 has been publishing official statistics on a weekly basis against this KPI framework, working with PHS and Scottish Government to develop this approach and to also input and inform whole system modelling work. Following successful testing within our mental health hub, a new SMS system for capturing patient experience has been introduced for our 111 service to replace the previous postal survey. NHS 24 is also developing its user research and user insights approach and building capacity for service design; this is demonstrated by research conducted to inform the digital and service transformation portfolios and also ongoing user research to inform the strategic review of NHS inform.

12.4 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
	(continued) We are developing a set of PREM (patient related outcome experience measures) to be shared with users, to seek feedback, following use of our digital services. This will replace the historical postal survey. Our proposed KPI framework, if approved, will further demonstrate the value add for patients and citizens, our partners across the health and care system and our staff.		(see above).
3. Performance management framework It is important that NHS 24 implement a benefits realisation framework to monitor the success of service redesign and whether the expected outcomes have been achieved.	NHS 24 will implement a Framework for Service Redesign and Change aligned to the new NHS 24 Corporate Strategy (approval expected summer 2023). The development of a robust case for change process for proposed service changes will require sufficient evidence and impact assessment to identify the benefits, making these easier to track and monitor over time.	Medium	NHS 24 developed a procedural framework for change that was approved by EMT in October 2023 to underpin end-to-end delivery of redesign and change initiatives. It provides templates and guidance for the planning, controlled delivery and evaluation of initiatives ensuring a focus on meeting assessed need through defined and measurable outcomes and benefits. Notably, the refreshed NHS 24 Corporate Delivery Plan has defined success criteria and expected outcomes aligned to each corporate deliverable and their associated activities and actions

12.5 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
4. Climate change NHS 24 needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target. Consideration should also be given to any financial statement impact of climate change.	During 2022/23 NHS 24 appointed a Senior Responsible Officer and a dedicated Programme Manager to support the Climate Emergency Sustainability Programme. New governance structures have been put in place and IEMA training for Non-Exec and Executive Directors and their identified deputies has occurred. This puts NHS 24 in a good place to have and implement more detailed plans and targets. For 2023/24 the Sustainability Development Group will continue to deliver on the CESP Strategy and action plan by putting in place measures to increase our NSAT score in advance of the next formal reporting cycle in 2023/24.	Low	During 2023/24 NHS 24 developed an action plan for the organisation that focused on specific targets within the CESP strategy, the action plan has granular detail of the work to be carried out. The action plan will be reviewed annually, and any new actions will be added as appropriate. This puts NHS 24 in a good place to deliver against the overall Scottish Government targets. An energy management group and a waste management group were also developed, and work is ongoing to task these groups with delivering against detailed targets. That sustainability & value are linked into a joint programme illustrates that the financial impact is taken into consideration. This includes the updated estates strategy that is planned for 2024/25. Work is also ongoing to review energy use across all sites and look at any financial efficiencies this will bring, and this will be reported to the Sustainability and Value group. Travel reporting to each directorate is also being rolled out to review if all business travel is necessary in direct response to the Scottish government travel targets. For 2024/25 the Sustainability Development Group will continue to deliver on the CESP Strategy and action plan and although the NSAT is no longer formally required NHS 24 will continue to complete this as the tool to track our own progress in advance of the next formal reporting cycle in 2024/25. Energy and Waste management groups will start to deliver against granular targets.

12.6 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
5. Draft Annual Report and Accounts Management should agree a timetable to ensure that a substantially complete draft of the Annual Report and Accounts is prepared by the start of the audit.	This was the first year of a new process regarding the preparation of the annual report with a complete change in design layout. However, lessons learned will be undertaken and anticipated improvements to the process will be made, including earlier curation of information and an earlier combined draft being available to review.	Low	There was a significant improvement with the 23/24 annual report, it was prepared and agreed with EMT in advance of the audit. As far as NHS 24 are concerned all audit queries were responded to in a timeous manner.
6. Evidence of management review of estimates It is recommended that management maintain evidence that a review of the dilapidations provision has taken place, with sign off to demonstrate that management are satisfied that the estimates are appropriate and in line with expectations.	It is not expected that the dilapidations provision will be revalued each year but at the next trigger point (new site, close to lease ending or major refurbishment of a site). At that point we will seek professional advice to place a value on the whole dilapidations provision. We will then ensure that evidence of management review and approval prior to any adjustments being made will be retained. We will update the Financial Operating Procedure to detail this addition to the process.	Low	FOPs were updated to include sign off. In advance of lease break options, dilapidations review will be carried out in 2024-25. The independent reports will be stored and used as backup to any adjustment of the provision, along with sign off from the DoF or Deputy DoF.

12.7 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
7. Review of costs classification within financial statements It is recommended that a process for reviewing the classification of costs is put in place to ensure accurate allocation within the financial statements.	This action has two elements. Firstly, the Head of Financial Planning and Reporting will add to the annual accounts timetable a task to ensure a check is done against the invoice register in April to correctly identify any trade payables. Secondly, the Head of Financial Planning and Reporting will put in place a streamlined process for the classification of other operating expenditure so that it is transparent and easier to reconcile to the ledger. This will be piloted and reviewed prior to year end to ensure all information from the ledger is appropriately classified in a simple, quick and transparent way.	Low	Issue of classification raised by Deloitte in their first-year audit. This was not something that our previous auditors required but NHS 24 agreed with the Deloitte treatment and processes have been put in place to ensure correct classification. As a result NHS 24 allocated the accruals correctly between accruals and trade payables for 2023/24. There were 2 accruals that required reclassified to trade payable after the draft financial statements were issued. NHS 24 caught and highlighted the required changes to the audit team prior to their testing. These are the misstatement highlighted in this year's report. So, NHS 24 is satisfied that the new process is working.

13.1 Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m	If applicable, control deficiency identified
Reclassification of Other Payables to Trade Payables	[1]					
- Other Payables			644k			
- Trade Payables			(644k)			
Reclassification of Accruals to Trade Payables	[2]					
- Accruals			130k			
-Trade Payables			(130k)			
Total			-			

[1]/[2] Through our testing, we identified a reclassification that was not reflected within the financial statements. These have been corrected by reclassing to the Trade Payables and Accruals. This has a net nil impact on the balance sheet.

13.2 Audit adjustments

Disclosures

Disclosure misstatements

The following corrected disclosure misstatements have been identified up to the date of this report which we bring to you attention as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
SFR 30 Disclosure was understated by £192k due to not including accrued income balances and therefore not reconciling to the receivables balance. In addition, the WGA classification of the IFRS 16 liability with NHS Greater Glasgow and Clyde required to be reallocated within the disclosure(£4,663k).	NHS Scotland Annual Accounts Manual	Qualitative – Disclosure of balances between NHS boards is important for users of the accounts and Scottish Government consolidation
The incorrect disclosure had been presented in 2022/23 in relation to pension values. This was due to additional service which had not originally been included. This affected both the remuneration table and the pension values table.	FReM 6.5	Qualitative – Disclosure of remuneration is a key interest factor for users of the accounts

14 Our other responsibilities explained

Fraud responsibilities and representations

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. 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.

Required representations:

We have asked NHS 24 to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked NHS 24 to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in operating within expenditure resource limits and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit & Risk Committee on the process for identifying, evaluating and managing the system of internal financial control. We will explain in our audit report (for all entities subject to audit) 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.

Concerns:

No issues or concerns have been identified to date in relation to fraud.

15 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 our objectivity is not compromised.
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

	£
Auditor remuneration	68,230
Audit Scotland fixed charges:	
• Pooled costs	8,250
• Audit support costs	0
• Sectoral cap adjustment	(3,130)
Total expected fee	**73,350**

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.

Deloitte.