

NHS 24

External audit 2026 planning report to the Audit and Risk Committee (ARC)

12 February 2026

(issued on 3 February 2026)

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Executive summary

We are delighted to be presenting our planning report to the Audit and Risk Committee (“ARC”) of NHS24 for the 2025/26 audit, in my second year as Partner for this engagement. I would like to draw your attention to the key messages of this paper, detailed below.

Proposed fee

2025/26: £78,030

2024/25: £74,780



Materiality

2026: £1,749,000

2025: £1,740,000

Preliminary Materiality is based on 1.4% of initially budgeted expenditure for 2025/26. Further detail can be found at Slide 1.2.



Scope

Our scope has remained consistent with the prior year.



Prior year debrief

Following the prior year audit, we held a debrief with NHS 24, and in response to this we will be performing interim testing in the current year.



Changes to audit risks

- The significant risk associated with operating within expenditure resource limit remains consistent with the prior year. However, greater emphasis will be placed on assessing the completeness of accruals and expenditure to ensure accurate financial reporting.



External and business changes that have impacted our audit plan

- The development of internal assets as part of the Digital Transformation Plan has heightened the risk of misclassification and inaccurate recognition.
- As outlined in the M8 financial performance report, it has been observed that an underspend is being projected.



Technology being deployed on the audit

- Audit is now being performed on a new engagement platform (Omnia), which helps improve the efficiency of the audit by allowing live reviews, using advanced analytics and including generative AI reviews to guide preparers.
- Continued use of existing tools, such as PairD – our Generative AI tool aiding audit effectiveness and Connect – our secure web-based request portal to aid communication between the Deloitte and NHS 24 teams. Appendix 6



1. External audit plan 2026

1.1. Impact of changes in your business and external environment on our audit plan



Our audit is tailored to you. The key changes in your business and external environment that are expected to have a significant impact on our audit are summarised below.

Change area	Impact on NHS 24 and the financial statements	Impact on our audit	
Accounts and Audit Timetable	The reporting timetable has been confirmed, with a 30 th June 2026 deadline. Discussions on national timetables have highlighted the need to set a realistic timetable that allows sufficient time for providers to prepare high quality draft financial statements and supporting working papers (including completing internal reviews and other control procedures), as well as for audit testing, review and reporting.	We recommend NHS 24 review its internal timetable for production of the accounts and annual report, and when is the achievable date for internal controls and processes to have completed, including all reviews over supporting working papers and any consequent amendments required.	T
Financial Sustainability	The funding environment is increasingly challenged, as was reflected in FY25 and the FY26 planning process. The Scottish government has made changes to the brokerage arrangements for NHS Boards and 2025/26 is the first year of sustainability payments.	Whilst we have not noted any significant concerns, this will be an area of continued monitoring as the audit progresses.	R S
Digital Transformation Programme (“DTP”) “Go Live”	The DTP project went live in October 2025, leading to an increase in long term debtors/ prepayments.	We will have an increased focus on the accurate recognition and accounting of expenses related to the DTP.	R S

Key
 Materiality
 Risk assessment
 Internal controls
 Timelines
 Audit scoping

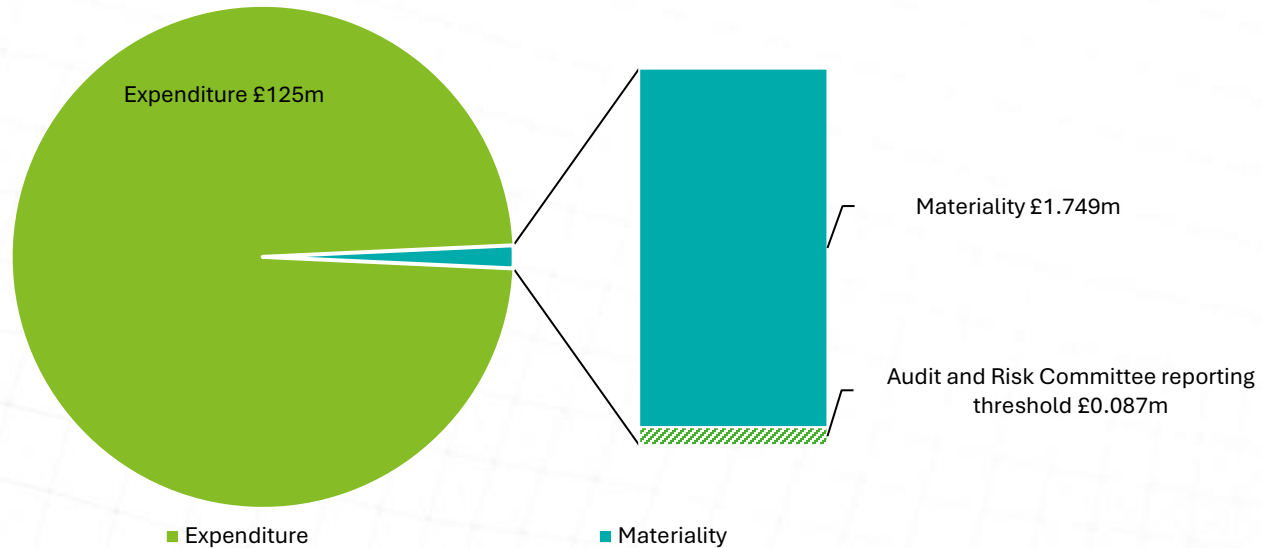
1. External audit plan 2026 (continued)

1.2. Materiality



Our planned audit materiality is £1.749m (2025: £1.740m), based on 1.4% of initial budgeted expenditure, which is consistent with the prior year calculation. We will report to you any changes from our planned materiality levels (for example due to significant variances in actual results for the year, or issues identified from our audit). **Appendix 1** provides further details.

The impact of our determined audit materiality on the scope of our work is further detailed in **Appendix 2**.



We consider the metrics used by users of the financial statements.

Threshold for reporting misstatements: We will report to you all misstatements identified above **£0.087m**, with performance materiality set at £1.312m (75%).

1. External audit plan 2026 (continued)

1.3. Significant risks



The expected significant risks for the current year audit are summarised below, with details of our planned audit response in **Appendix 3**. Risk assessment is a continuous process throughout the audit, and we will inform you of any changes to our assessment of significant risks.



Significant risks to our audit

Significant risks are those associated with the most significant and judgmental areas of our audit, and which have the greatest potential to cause a material misstatement to the financial statements.

Risk description	Fraud risk	Planned controls and audit approach	Level of judgement or estimation	Management paper expected
Management override of controls				
Operating within expenditure resource limit				



Key



Assess design & implementation of relevant controls



Test and rely on operating effectiveness sample testing of relevant controls



Involvement of Deloitte specialists



Significant judgement



High degree of judgement



Low degree of judgement

1. External audit plan 2026 (continued)

1.4. Other areas of focus



We have summarised below the other areas which we plan to include in our reporting to you. Details of our planned audit response are included in **Appendix 4**.



Other areas of focus

Other areas (with no identified significant risks) where we expect to provide further information on our audit approach and any findings we identify in future reports to the Audit and Risk Committee.

Risk description	Level of judgement or estimation	Management paper expected
Directors' Remuneration Report and Fair Pay Disclosure	L	
Digital Transformation Programme (DTP)	H	



Key



DI Assess design & implementation of relevant controls



OE Test and rely on operating effectiveness sample testing of relevant controls



S Involvement of Deloitte specialists



S Significant judgement



H High degree of judgement



L Low degree of judgement

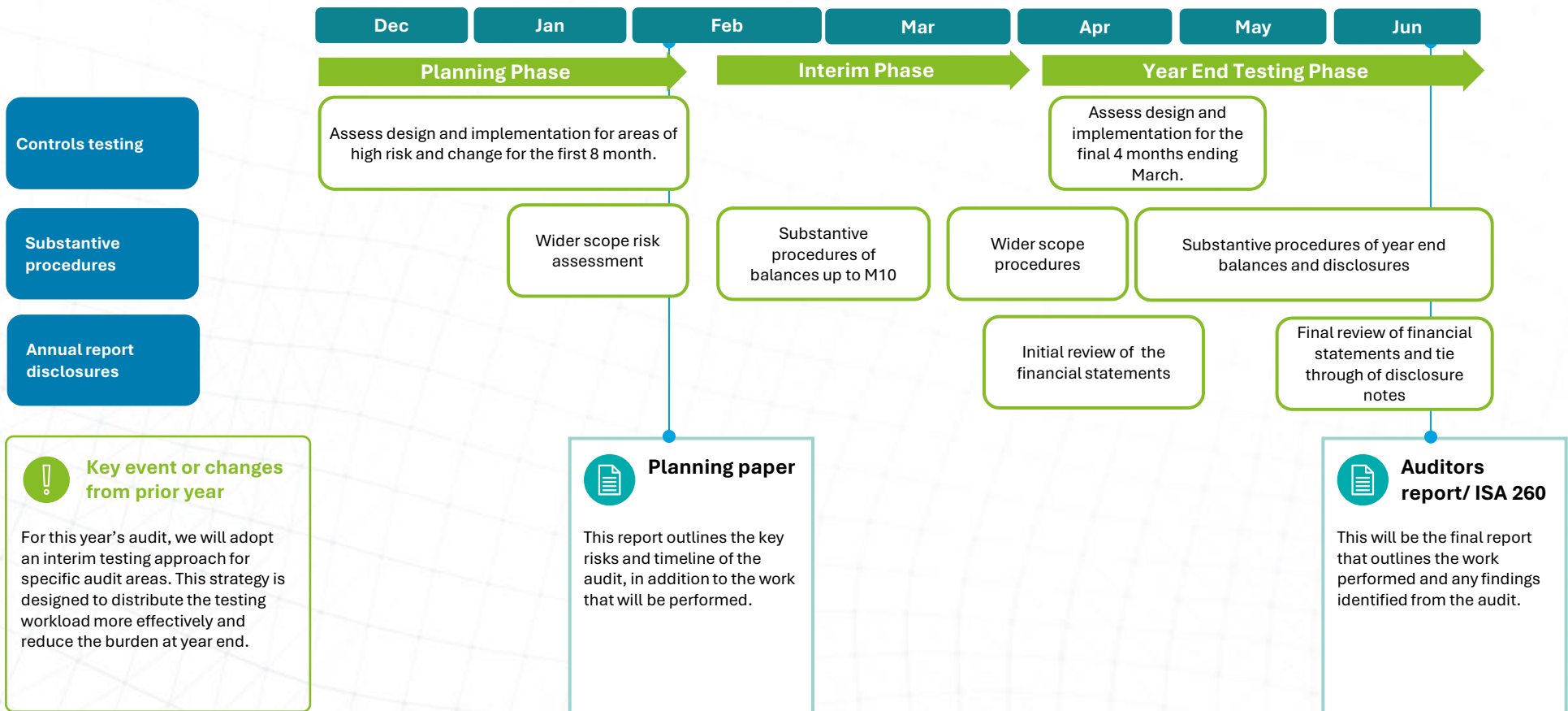
1. External audit plan 2026 (continued)

1.5. Audit timelines and Audit and Risk Committee communication plan



The timeline and our planned reporting to you is summarised below. We plan to perform the audit work in three phases and report our findings to you at the end of each phase. The three phases provide us the ability to communicate findings early and regularly throughout the audit process.

Audit timeline and our Audit and Risk Committee reporting (including interim reporting)



2. How we use technology - now and in the future

AI enabled

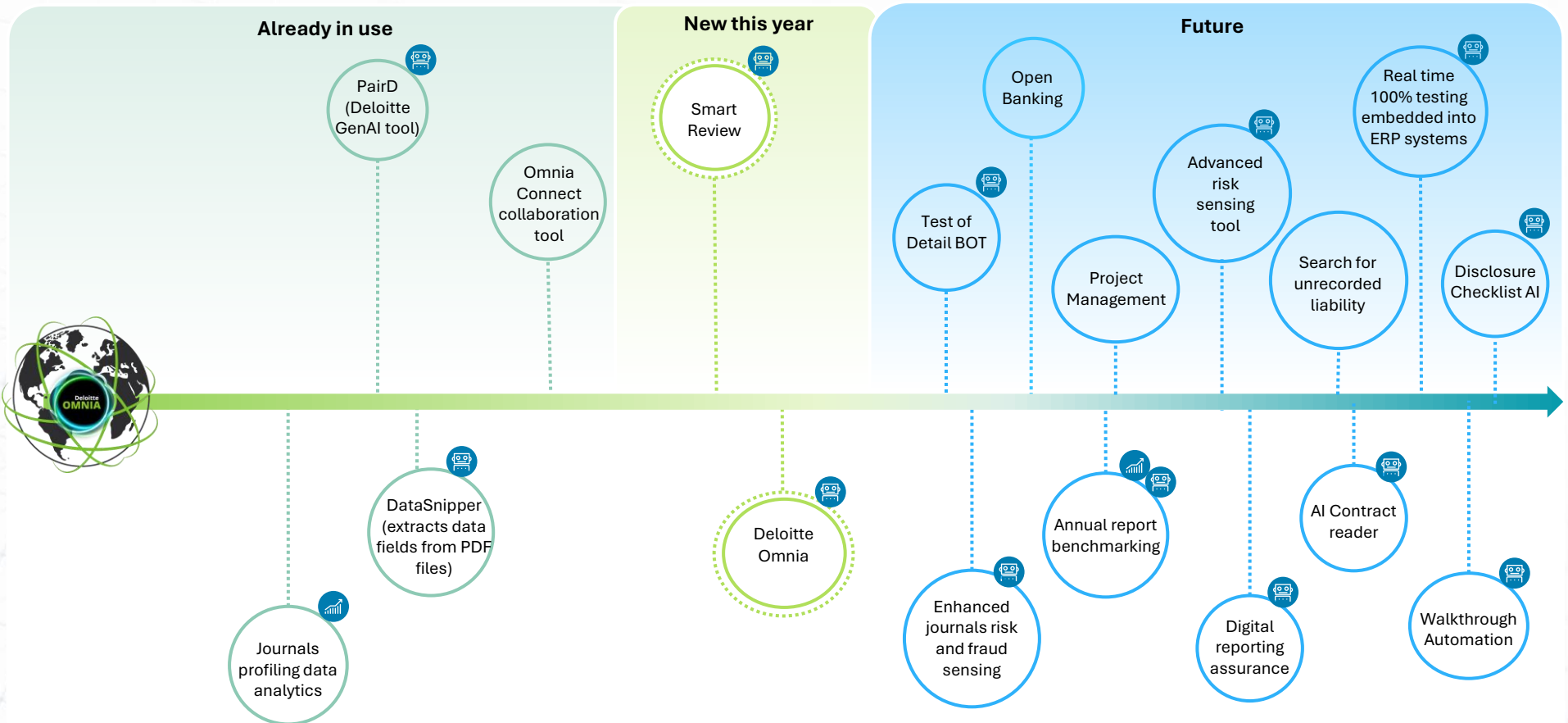
Data analytics

Further detail for selected technology and AI tools provided on page 25



We have made significant investments in technology in recent years to increase audit quality, effectiveness, and the insight that we bring. This has allowed us to build a suite of tools integrated with our Deloitte Omnia audit platform (Omnia) that embed the use of technology, analytics and AI to support collaboration, planning decisions, risk assessment, controls testing and substantive audit procedures, with this being the first-year adoption of Omnia.

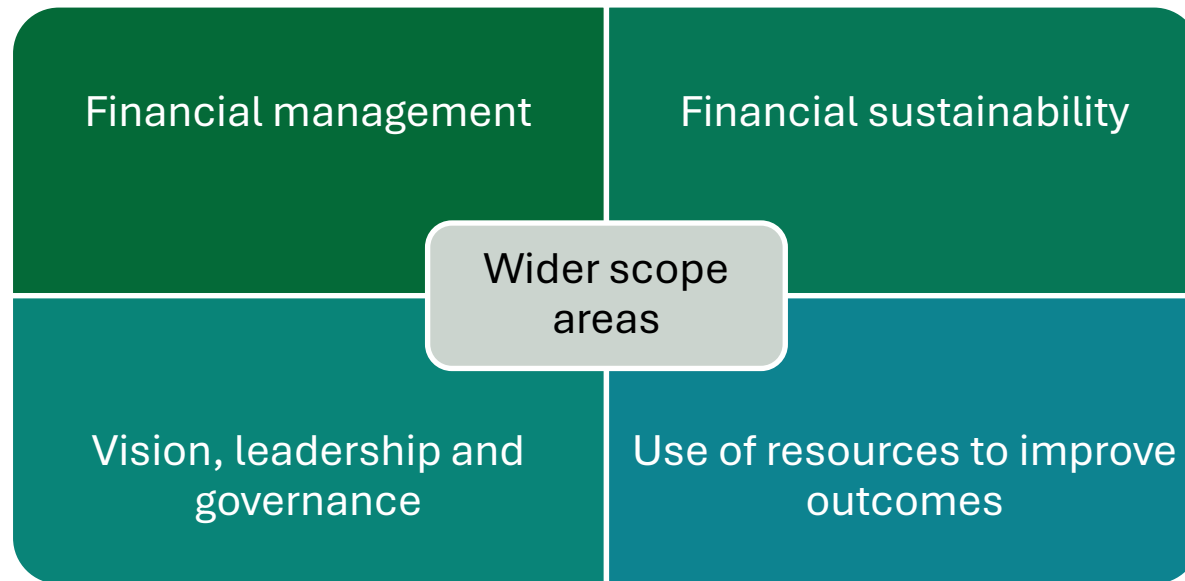
The timeline shows the key Deloitte technologies and tools we are already using on your audit, those we plan to implement this year, and our vision for the future. We have highlighted examples of where we will use technology and data analytics in this year's audit on the next page and included further details on each tool in **Appendix 6**.



3. Wider scope requirements

3.1 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.

3. Wider scope requirements (continued)

3.2 Significant risks

Area	Significant risks identified	Planned audit response
Financial management	<p>We have not identified any significant risks in relation to financial management during our planning.</p> <p>In 2024/25, we concluded that NHS 24 had effective budget setting and monitoring arrangements in place, supported by an experienced finance team and an independent internal audit function.</p> <p>Improvements have been noted in the rate of implementation of internal audit recommendations.</p>	<p>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 effective.</p>
Financial sustainability	<p>NHS 24's medium term financial plan covers the period from 2024/25 up to 2027/28 which identifies budget gaps over the three years. 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.</p> <p>There is a significant risk that they are not financially sustainable in the long term.</p> <p>Further, NHS 24 are investing in digital transformation in order to improve efficiencies. Updates on the project will be reviewed and the impact on financial sustainability will be assessed, for both costs to implement and savings as a result.</p>	<p>Consistent with the prior year 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. No deficiencies were noted in the prior year.</p> <p>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.</p> <p>We will monitor if financial balance can be achieved through the development of the 2026/27 budget (including three year financial plan) and monitor NHS 24's actions in respect of its medium and longer-term financial plans.</p>

3. Wider scope requirements (continued)

3.3 Significant risks (continued)

Area	Significant risks identified	Planned audit response
<p>Vision, leadership and governance</p>	<p>We have not identified any significant risks in relation to vision, leadership and governance.</p> <p>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.</p> <p>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.</p>	<p>We will review the work of NHS 24 and its Committees with a focus on the corporate strategy to evaluate whether the arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making. This will be performed through review of Board minutes, attending ARC meetings, as well as discussions with management.</p>
<p>Use of resources to improve outcomes</p>	<p>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. It is positive to note the proposed update to the KPI Framework and increased focus on outcomes and impact.</p> <p>NHS 24 achieved its “Go Live” status for its Digital Transformation Programme (DTP) in the audited year, with the project being funded by NHS 24.</p>	<p>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.</p> <p>We will assess the implementation of the new systems to assess whether it has reduced call time and improved overall efficiency. In addition to analysing management’s assessment of the implementation.</p> <p>We will assess steps taken to implement a benefits realisation framework to monitor the success of service redesign.</p>

4. Independence and fees



As part of our obligations under International Standards on Auditing (UK) 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 NHS 24. Further details of our independence considerations are included in **Appendix 7**.



Audit Scotland have set out a fee of £78,030 for the audit of the current year.

5. Responsibility statement



What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements 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;
- the use of technology in our audit and how we expect this to evolve in future years; and
- key regulatory and corporate governance updates relevant to you.

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



Our respective responsibilities

We are responsible for forming and expressing an opinion on financial statements prepared by management with oversight of those charged with governance, as detailed in our contract. An audit does not relieve management or those charged with governance of their responsibilities. Auditing standards require us to only accept an audit engagement when the preconditions for an audit are present, including 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. 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.



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 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Nicola Wright

Deloitte LLP

Newcastle | 3 February 2026

Appendices

Appendices content

Appendix 1: Our approach to materiality

Appendix 2: Scope of work and approach

Appendix 3: Significant risks and planned audit response

Appendix 4: Other areas of focus and planned audit response

Appendix 5: Prior year audit adjustments

Appendix 6: Technology glossary

Appendix 7: Independence

Appendix 8: Our other responsibilities explained

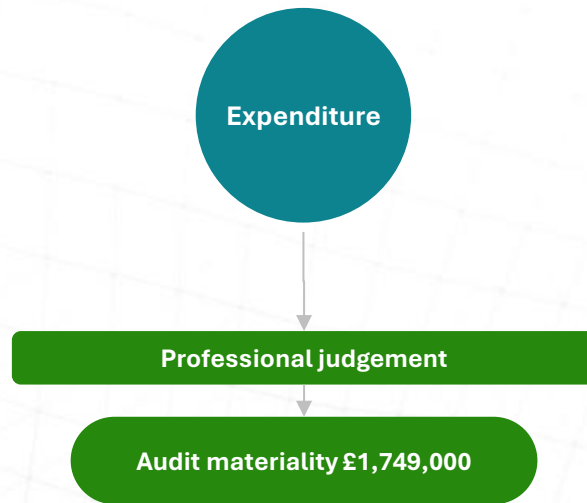
Appendix 9: Promoting high quality reports to stakeholders

Appendix 10: Required communications

Appendix 1

Our approach to materiality

Benchmarks considered



Materiality is the threshold for misstatements that could influence users' economic decisions. **Performance materiality** is set lower, creating a buffer to reduce the risk that undetected errors, when aggregated, exceed overall materiality. **A trivial threshold** defines misstatements so small they are clearly inconsequential, requiring no accumulation or reporting.

We consider the **metrics used by the users of the financial statements** to identify appropriate benchmarks to determine materiality. We will continue to monitor these metrics and will reassess materiality if there are significant variances from plan. We will report to you any changes to our planned materiality.

Based on the role of NHS 24, we have selected expenditure as the most appropriate benchmark. Materiality has been set at £1.749m (2025 £1.740m). This represents 1.4% of forecast expenditure, in line with the prior year.



Factors impacting determined materiality level



Normal risk engagement, fourth year engagement, few prior year uncorrected errors



Digital Transformation Programme



Threshold for reporting misstatements

We will **report all misstatements above £0.087m** to you throughout the audit.

Performance materiality (PM)

75% of materiality

This is set 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. The determined performance materiality is **75% of the materiality** which is in line with and supported by previous experience on NHS 24. Performance materiality determines the sample sizes selected in our substantive testing.

Appendix 2 - 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) (“ISA (UK)”) and the Code of Audit Practice issued by Audit Scotland. NHS 24 will prepare its accounts in accordance with applicable law and UK adopted International Financial Reporting Standards, as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (FRoM) 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 organisational arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed on slide [\[10\]](#).

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 SG Consolidated Accounts.

Appendix 3

Significant risks and planned audit response



Operating within expenditure resource limit

The overall NHS financial environment has become significantly more challenging, creating incentives for organisations to understate judgemental liabilities and related expenditure to achieve their required performance against control totals. We have therefore identified this as a significant risk due to fraud.



Risk identified and key judgements

- Expenditure incurred during the year, particularly around year end, is incomplete.
- Potential for management to “push” expenditure into preceding periods by incorrectly recording Accruals.

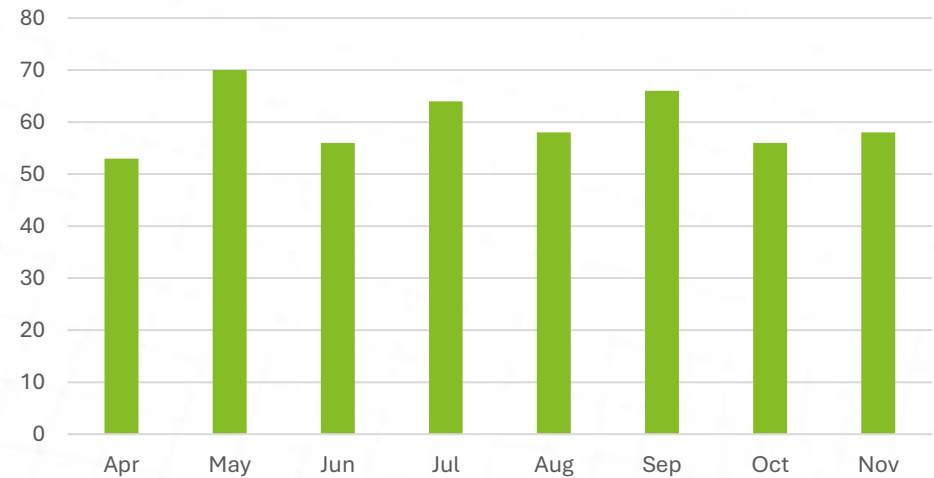


Deloitte planned response

Accruals:

- Assess the design and implementation of controls over the year-end accrual process.
- Test an extended sample of post year-end payments to test completeness of recorded liabilities.
- Test an extended sample of post year-end invoices to test completeness of recorded liabilities.
- Test a sample of accruals to supporting documentation and evaluate whether accrued for appropriately.

Number of Accrual Entries



Source: M8 General Ledger

Appendix 3 (continued)

Significant risks and planned audit response (continued)



Management override of controls

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 business, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records.



Risk identified and key judgements

This risk focuses on three key areas:

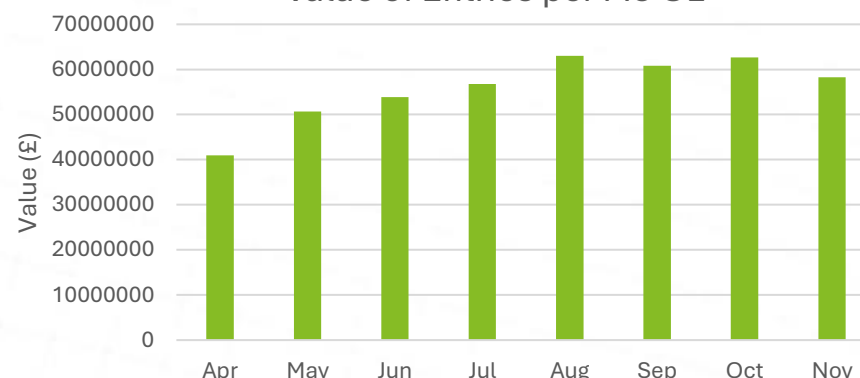
- journal entry testing to identify any unusual journal postings which may be indicative of potential management override;
- any transactions that are unusual or outside the normal course of business; and
- management judgements and estimates.



Deloitte planned response

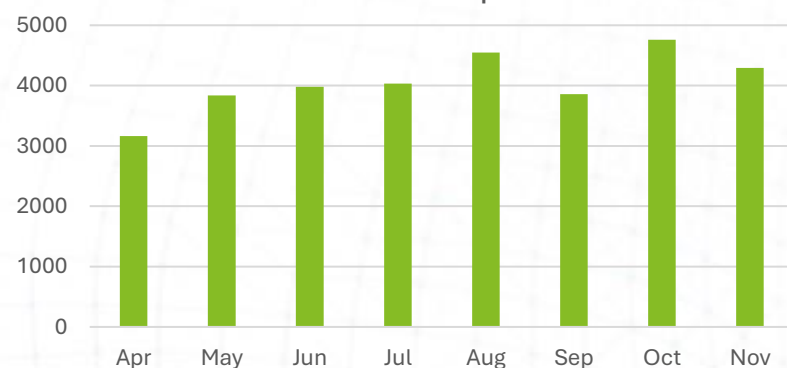
- Use data analytic tools to identify journals posted at the end of a reporting period and throughout the period meeting specific fraud risk criteria and test their appropriateness.
- Evaluate the business rationale for significant transactions that are outside the normal course of business, or that otherwise appear to be unusual.
- Review accounting estimates for bias, including considering in aggregate for indicators of bias or trends in the positions taken.

Value of Entries per M8 GL



Source: M8 General Ledger

Number of Entries per M8 GL



Source: M8 General Ledger

Appendix 4

Other areas of focus and planned audit response – Remuneration Report



The Remuneration Report requirements, including fair pay disclosures, are complex, and can require both collation of information from a range of sources and judgement in the application of the requirements (including in some areas without explicit guidance). The fair pay disclosures increase the complexity of disclosures, and can present issues in the data flows and inputs required to prepare the disclosures. Challenges include:

- identifying the correct population of individuals (which for the fair pay multiple is staff “at the reporting date”);
- determining whether and how to convert information to annualised, full-time equivalent amounts; and
- determining whether and how to include agency and temporary staff.



Management actions

- We recommend NHS 24 review the approach to the preparation of the Remuneration Report with input from all relevant teams within the Board and review of the detailed requirements of the Financial Reporting Manual (FReM) and relevant supporting guidance ahead of the year-end.



Impact on our audit

- Test senior managers’ remuneration disclosures, including the amounts included in the ‘single total figure’ table and pension disclosures.
- Test fair pay disclosures, including evaluating the appropriateness of the basis of calculation of disclosures and the data used to calculate them.
- Evaluate the appropriateness of any judgements made in the preparation of the Remuneration Report and whether they are appropriately disclosed.
- Assess whether the disclosures made are complete and are in accordance with the FReM and relevant supporting guidance.

Appendix 4 (continued)

Other areas of focus and planned audit response – Digital Transformation Programme (“DTP”)



The DTP represents a complex aspect of the accounts, often necessitating the aggregation of information from various sources and the application of professional judgement. This complexity is further heightened by the significant level of estimation involved in addressing the treatment of balances, particularly concerning prepayments and the transition of assets under construction to intangible assets.



Management actions

- We recommend that NHS 24 reviews its approach to preparing the DTP entries, taking into account previous discussions with Deloitte around the accounting standards. Following the "Go Live" in October, we anticipate receiving a management-prepared paper outlining the performance of the new system, as well as detailing the entries made during the year in relation to the DTP in line with the relevant accounting standards.



Impact on our audit

- Assess whether the disclosures related to the DTP are comprehensive and include all relevant information.
- Ensure the disclosures are transparent and clearly communicate the necessary details.
- Verify that the disclosures comply fully with the Financial Reporting Manual (FRM) and the guidance provided in the prior year.

Appendix 5

Prior year audit adjustments

The following corrected misstatements were identified in relation to the prior year audit, with no uncorrected misstatements identified:

	Ref	Income statement	Debit / (Credit) impact in £m			Control deficiency identified
			Net assets	2026 retained earnings	OCI/ Equity	
Factual misstatements						
NSS SFR Difference	1					
Payables			0.107			
Operating Expenditure		(0.107)				
DTP Prepayments	2					
Prepayments			1.029			
Operating Expenditure		(1.029)				
Adjustment to Allocation	3					
Grant-in-Aid					1.029	
Liabilities			(1.029)			
Total		(1.136)	0.107		1.029	

[1] We noted that per the confirmation letter from NSS, the liability owed by NHS 24 is overstated by £107k. This is below the internal £200k threshold for follow up by NHS 24. However, we note that as this amount is above our reporting threshold and we have classified it as an error. This has been corrected by management.

[2] This is the adjustment relating to the recognition of a prepayment over the life of the Coforge contract. As this is over the life of the contract, this should be aged between current and non-current trade and other receivables.

[3] As a result of the adjustment [2], Scottish Government have agreed to adjust NHS 24's allocation by the same amount. This has a nil impact on the Statement of Financial Position.

Appendix 5 (continued)

Disclosure deficiencies identified in the prior year

The following corrected disclosure misstatements were identified in relation to the prior year audit, with no uncorrected disclosure misstatements identified.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
A pension value of an Executive member was incorrectly recorded in the draft Remuneration Report. The CETV at 31/03/2024 was incorrectly inputted as the value adjusted for inflation. Instead, the correct value is not adjusted for inflation. This affected the pensions value table and Management agreed to amend the disclosure.	FReM 6.5	Qualitative – Disclosure of remuneration is a key interest factor for users of the accounts
Employee pension contributions were not removed from the real increase in CETV disclosure in the draft Remuneration Report. This affected the pensions value table and Management agreed to amend the disclosure.	FReM 6.5	Qualitative – Disclosure of remuneration is a key interest factor for users of the accounts
A prior year disclosure adjustment has been made for the Medical Director’s CETV at 31/03/2024. This was due to a refund of service in 2012 and impacts the pensions value table. Management have agreed to amend the disclosure.	FReM 6.5	Qualitative – Disclosure of remuneration is a key interest factor for users of the accounts
NHS 24 did not disclose other Scottish public sector bodies that the body had material transactions with, as related parties.	IAS 24	Qualitative – Disclosure of related parties are a key interest factor for users of the accounts

Appendix 5 (continued)

Control deficiencies identified in the prior year

The following control deficiency were identified in relation to the prior year audit.

Control deficiency	Priority Rating	Suggested Solution
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. The client therefore did not retain appropriate documentation for evidencing the date in which invoices were not received	Medium	Save down the emails for the 25-26 audit from the 30th March 2026 - 3rd April 2026.

Appendix 6

Technology glossary



This Appendix provides details of Deloitte technologies and tools we have deployed, or plan to deploy, on your audit.

If contractual requirements for use of AI: This includes proposed Artificial Intelligence (“AI”) tools that are presented for your approval. We have provided details below on each tool, how it works and what the benefit is for your audit. We will report to you any significant changes to our plan and significant findings from our use of technology.

Tools	AI	How does it work?	Requirements for deployment	Deployed in PY(s)?	Benefit(s)
Omnia Connect collaboration tool	n/a	Web-based global request and coordination portal enabling enhanced coordination and communication between management and us. This technology reduces back and forth, provides greater visibility to both our team and management through real-time status dashboards and a mobile app, reduces the administrative burden around information exchange and duplication of requests, and results in fewer surprises.	n/a	Previous Years	
Smart Review	✓	Smart Review harnesses the power of Generative AI to analyse our audit documentation and provide tailored suggestions for improvement. It allows our team to get a head start on quality by receiving AI-driven insights and suggestions before sending work for review. In addition, it enables us to feed back any insights faster to you.	Omnia implementation	Current Year	
PairD (Deloitte Gen AI tool)	✓	A safe and secure environment for the Deloitte audit team to use Generative AI to enhance audit effectiveness.	n/a	Current Year	
Project management	✓	Integrates multiple audit tools and technologies to enhance project management. This, in turn, speeds up the audit process as audit requests, testing and any follow-up queries become increasingly automated.	n/a	Future	
Advanced risk sensing tool	✓	Automatically horizon scans and analyses millions of news articles and other digital media, allowing us to keep up to speed with business developments to gain a deeper understanding of your business whilst streamlining the traditional risk sensing approach and ensuring continuous automated tracking.	n/a	Future	

Key
























Effectiveness

Enhanced audit quality

Insight

Appendix 6 (continued)

Technology glossary (continued)

Tools	AI	How does it work?	Deployed in PY(s)?	Benefit(s)
DataSnipper	✓	Automates previously manual tasks for effectiveness and is leveraged across the audit process. It automates steps in our test of details and financial statement closing procedures. It enables us to focus on any exceptions only and areas which present greater audit risk rather than manual repetitive tasks.	Prior	 
Journals profiling data analytics	n/a	Our data-mining hub enables us to conduct risk assessments, substantive testing, and deliver insightful analytics.	Current Year	  
Enhanced journals risk and fraud sensing	✓	Detects anomalies in journal entries through analysing large volumes of data to identify anomalies and potential risks in journal entries. This helps detect potential fraud and errors.	Future	  
Search for unrecorded liabilities	n/a	Matching of post year-end payments to the transactional data recorded in eFinance. This enables us to focus on unmatched payments for our unrecorded liabilities testing and further validates that transactions have been recorded in the correct period for the matched transactions.	Future	  
Digital reporting assurance	✓	Generative AI is being implemented to automate certain elements of the financial statement reporting and audit conclusion process.	Future	  
AI contract reader	✓	Utilising generative AI to analyse contracts and identify areas of interest for the audit team, informed by relevant industry risk factors.	Future	  
Real time testing (100%)	✓	Provides us with a continuous live view of your key account balances by location, enabling us to identify any issues and provide insight in a timely manner.	Future	  
Walkthrough automation	✓	Automating the process of documenting the business process walkthrough by transcribing calls and analysing the conversation. From this document, the system then automatically generates process flow diagrams and flags potential control gaps. This improves effectiveness and highlighting areas for control enhancement.	Future	  

Key










 Effectiveness

 Enhanced audit quality

 Insight

Appendix 6 (continued)

Technology glossary (continued)

Tools	AI	How does it work?	Deployed in PY(s)?	Benefit(s)
Open banking	N/A	This is the automated transfer of your transactional banking data to us. Which will allow us to directly match up to 100% of bank transactions to your system records, providing us with assurance over cash inflows and outflows for gross loans and customer deposits.	Future	  
Checklist AI	✓	ChecklistAI is an AI disclosure question suggestion feature deployed directly into the global checklist platform. It provides disclosure checklist preparers with guided suggestions for the question conclusion, alongside annual report references to enable more informed and effective preparation.	Current Year	  
Annual report benchmarking	✓	Automatically reviews annual reports for completeness of disclosures and benchmarks against external information such as latest FRC guidance and best practice. This saves the auditor time and provides a first review for the audit team to then apply judgement to and can provide valuable peer analysis to see how NHS 24 compares.	Future	  

Key



Effectiveness



Enhanced audit quality



Insight

Appendix 7

Independence



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

Independence matter	Description
Independence confirmation	We confirm the independence of the audit engagement team, and others in the firm as appropriate. We have not provided any non audit services.
Fees	<p>The audit fee has been confirmed for the 2025/26 year as £78,030.</p> <p>We will continue to assess the impact, if any, of additional incremental work required in relation to the completion of the audit and will report this to the Audit and Risk Committee in our final report to the Audit and Risk Committee.</p>
Non-audit services	<p>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 as necessary.</p> <p>We have not provided, nor do we plan to provide any non-audit services.</p>
Relationships	We have not identified any relationships with the Audit and Risk Committee, its directors and senior management and its affiliates, or other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence, together with the related safeguards that are in place.

Appendix 8

Our other responsibilities explained - fraud



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 management override of controls and operating within resource limit.
- 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 judgement, 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.

Appendix 8 (continued)

Our responsibility towards fraud explained (continued)

We will make the following inquiries, including of staff outside the finance function, regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Whether management has performed an assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Whether management has a process for identifying and responding to risks of fraud, including those specific to the sector.
- Whether management have communicated to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Whether management have communicated 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.
- Whether there have been any allegations of fraud raised by employees or other parties.



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.
- What are the views of those charged with governance on the most significant fraud risk factors affecting the entity.

Appendix 8 (continued)

We will report on information in your annual report

Your annual report contains detailed financial and non-financial information including discussion of the Board's strategy, business model, risks and prospects. This provides stakeholders with a holistic view of the performance of the Board and provides context for the Board's financial results and position as set out in the financial statements. We set out on this page the work we will perform in respect of this information and the matters we will report.



The performance report and accountability report

Our work includes:

- reading these reports and assessing whether they comply with the applicable requirements of the Scottish Public Finance Manual (SPFM) and FReM;
- considering whether the information presented is consistent with the financial statements, including cross-checking figures to the audited financial statements; and
- assessing whether, in light of our knowledge and understanding obtained during the audit, these reports contain any material misstatements.

In our audit report we will give positive statements regarding the preparation of the reports in accordance with legal and regulatory requirements and consistency with the financial statements.

If we find material misstatements, we will require that these be corrected, otherwise we will have to report these.



Annual Governance Statement

We read the Annual Governance Statement and assess whether it meets the disclosure requirements, and whether it is misleading or inconsistent with information of which we are aware from our audit. In our audit report, we report any exceptions identified in respect of these responsibilities.



Remuneration report and staff report

We will audit the parts of the remuneration report and staff subject to audit, and state in our audit report whether they have been properly prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978.



Examples of matters that would cause us to report

- The Annual Governance Statement doesn't disclose significant control weaknesses identified in internal audit reviews.
- Risks to financial sustainability are not adequately disclosed in the Annual Report.
- Significant weaknesses in wider scope arrangements are not appropriately disclosed in the Annual Governance Statement.
- A material provision is discussed in the strategic report, but the figure is inconsistent with the financial statements.

Appendix 9 Promoting high quality reports to stakeholders



Promoting high quality report to stakeholders



Disclosure checklists with the requirements of IFRS as adapted by the FReM are available to support the Board in preparing high quality drafts of the Annual report and financial statements.

We recommend that Boards use these checklists (or equivalent process) to formally review a “skeleton” of both the annual report and financial statements ahead of year-end reporting, and then to review the completeness of the final draft prior to submission for audit. We would emphasise the importance of considering the detailed requirements for the remuneration report and any issues in obtaining relevant data or in drafting the disclosures as part of year-end planning.

We would welcome the opportunity to discuss any judgements identified on planned disclosures from this process with you ahead of year-end.

Appendix 10

Required communications



We have an obligation under the ISAs to communicate specific matters with you related to our audit. The table below highlights some of the required communications and their corresponding locations in our reporting. Additional required communications will be provided in future reports as we progress through the audit cycle.

Communication	Reference
Materiality	Section 1.2, Appendix 1
Scoping	Section 1.2, Appendix 2
Identified significant risks	Section 1.3, Appendix 4
Significant findings, misstatements, deficiencies, irregularities and/or non-compliance identified	Reported in final AC paper in June 2026
Overview of the planned scope and timing of the audit Form, timing and content of communication with Audit and Risk Committee	Section 1.6
Auditor independence	Section 3
Fees and non-audit services	Section 3, Appendix 6
Auditors' responsibilities	Section 4, Appendix 7
Audit quality and our system of quality management	Appendix 8
Audit methodology explained and valuation methods	Reported in final ARC paper in June 2026

Technical updates

Stakeholder focus areas

Macroeconomic and geopolitical uncertainty



Corporate reporting in times of uncertainty

Businesses continue to face significant uncertainty due to the ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates and inflation, cyberattacks, ongoing international conflicts and the introduction of tariffs and other impacts on global trade.

High-quality, transparent corporate reporting that clearly explains the impact of these uncertainties on the entity's financial position, performance and cash flows, as well as the entity's response to these risks, remains as important to investors, creditors and other stakeholders as ever.



Impact of continuing uncertainty - considerations

The ongoing macroeconomic and geopolitical uncertainty and the resulting challenges have a pervasive impact on the financial statements and need to be considered comprehensively across all account balances and disclosures, in particular those involving estimation or judgement.



Sources of uncertainty likely to impact business operations and corporate reporting include:

- **Low economic growth environment:** although GDP has shown some signs of improvement, overall growth varies by sector and remains below trend. Globally, growth remains subdued.
- **Ongoing inflation:** while inflationary pressures have been easing, some areas remain 'sticky', particularly those relating to services. In some sectors, companies are also finding it harder to pass on cost increases to consumers than previously.
- **Labour availability and wage inflation:** this remains a key challenge for many businesses, particularly in people intensive industries.
- **Interest rates:** in some regions market expectations of rate cuts by central banks have been reined in, as inflation has proved more stubborn and labour markets tight. As a result, interest rates may stay 'higher for longer' than previously expected.
- **Geopolitical uncertainty:** concerns include actions that could impede the global flow of trade including the introduction of tariffs, the need to reconfigure supply chains, conflict risks and shifts in global trade policy towards a more protectionist environment.
- **Supply chain disruption:** global trade uncertainty requires companies to reconfigure their supply chains introducing a high level of volatility.
- **Volatility in financial markets:** ongoing uncertainty with sharp moves in financial markets including foreign exchange markets.



Stakeholder focus areas

Climate and sustainability-related risks

Climate-related risks – Considerations

Investor expectations

Investors and other stakeholders are clear that climate-related risks could be material to businesses in all sectors. In particular, investors ask for clear, specific and quantified information that describes:

- Whether the Board’s climate-related commitments and targets are ‘Paris-aligned’, how the Board will deliver on those and how the commitments and targets have been reflected in the financial statements.
- How the impacts of physical and transition risks have been considered in preparing the financial statements.
- What climate-related assumptions and estimates were used to prepare the financial statements, how they are Paris-aligned, or an explanation of why not, together with sensitivity analysis showing the impact of using Paris-aligned assumptions and estimates.
- How Paris-alignment impacts dividend-paying capacity.
- Whether narrative reporting on climate risks and the accounting assumptions are consistent, or an explanation for any divergence.

Investors also look to the auditor to explain comprehensively how climate-related matters have been considered in the audit and to alert shareholders to potential inconsistencies.

Regulator expectations and climate thematic reports

The FRC’s [Annual Review of Corporate Reporting 2024/25](#) identified TCFD, CFD and climate-related narrative reporting as one of the top ten issues raised with companies. For companies in scope of the relevant requirements, the FRC expects companies to ensure that:

- disclosures are **clear, concise and company-specific**
- it is clear **how any material financial impact of climate change has been reflected in the financial statements**
- **all CFD disclosures are provided in the annual report and accounts.**

In January 2025, the FRC also published its Thematic Review [Climate-related Financial Disclosures by AIM and Large Private Companies](#). The FRC expects companies to ensure that mandatory CFD requirements have been met; and that sufficient consideration has been given to the differences between CFD and TCFD-related disclosures (for companies that are within scope of both the CFD and the UK Listing Rules).



Stakeholder focus areas (continued)

Climate and sustainability-related risks (continued)



Regulator expectations and climate thematic reports (continued)

The following key themes and expectations from the FRC's 2022 thematic review of TCFD disclosures and climate in the financial statements continue to be relevant [and are equally applicable to entities reporting information under the **UK Climate-related Financial Disclosure (CFD) regulations**]:

- Giving **granular and Board specific information** about the effects of climate change on different businesses, sectors and geographies.
- Ensuring that the discussion of climate-related risks and opportunities is **balanced**.
- **Linking climate-related disclosures**, such as the output of climate-related scenario analysis, with other relevant narrative disclosures in the annual report, such as the business model or strategy.
- Explaining how **materiality** has been applied in deciding which climate-related information should be disclosed.
- Ensuring **connectivity between TCFD disclosures and the financial statements** to help investors understand the relationship between climate-related matters and judgements and estimates applied in the financial statements – for example, explaining clearly how different climate-related scenarios and the companies' own net zero commitments have been reflected in the financial statements.

The FRC encourages entities to refer to its findings outlined in the [2022 thematic review of TCFD disclosures and climate in the financial statements](#) and [2023 thematic review of climate-related metrics and targets](#), both of which remain relevant.

The European Securities and Markets Authority (ESMA) continues to include climate-related matters as a priority for both financial statements and management commentary in its [European common enforcement priorities for 2024 annual financial reports](#). This includes the importance of ensuring consistency and connectivity between the financial statements, sustainability statements or elsewhere in the management report for climate-related matters.



Stakeholder focus areas (continued)

Climate and sustainability-related risks (continued)



Climate-related risks - Actions

The impacts of climate change are a strategic issue that should be on the board agenda and integrated into decision making.

We expect entities to have:

- Reviewed their governance, processes and controls for identifying, and responding to, climate-related issues.
- Completed a robust climate risk assessment including all physical and transition risks, not only for the organisation as a whole but for individual business units.
- Assessed the climate change assumptions used in judgements and estimates in the financial statements.
- Evaluated the appropriateness and consistency of information in the financial statements and narrative disclosures.
- Prepared a management paper setting out management's climate risk assessment and consideration of the impacts of climate change on the financial statements [*delete if not in scope of mandatory TCFD disclosures:* and management's assessment of consistency of climate-related disclosures with the TCFD recommended disclosures, all sector guidance and, as appropriate, sector-based and other guidance to support the TCFD statement of compliance.]
- [*delete if not in scope of mandatory TCFD and CFD disclosures:* Where TCFD disclosures are not fully consistent with TCFD recommendations and recommended disclosures, management need to consider how this impacts compliance with CFD regulations.]
- [*delete if not in scope of CFD disclosures* We expect management to assess the scoping requirements of CFD regulations for all entities within the group.]
- Management should consider the consistency and connectivity of environment matters disclosed in the NFSI statement to other climate-related disclosures, and to the climate-related assumptions applied in the financial statements

Regarding financial statement disclosures, we expect entities to consider the transparency of information about the climate-related judgements and assumptions used in cash flow forecasts and other estimates that underpin the recognition and measurement of assets and liabilities. Information should be entity-specific and avoid boilerplate explanations.

We expect entities to consider the near-final staff draft [Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples](#) published by the IFRS Foundation in July 2025.

The financial statements should clearly disclose:

- What climate-related assumptions have been used in preparing the financial statements.
- How significant climate risks or net zero transition targets have been taken into account in preparing the financial statements.
- Whether the assumptions used are consistent with the entity's climate-related commitments and targets, the Paris Agreement and the UK goal to achieve net zero GHG emissions by 2050, and if not an explanation of why not.
- Which climate-related scenarios have been considered in sensitivity analysis of climate-related assumptions and how they affect judgements and estimates in the financial statements.



Stakeholder focus areas (continued)

Climate and sustainability-related risks (continued)



Climate-related risks – Actions (continued)

We expect the narrative accompanying the financial statements to include:

- An explanation of how climate is assessed as a strategic issue.
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed.
- An explanation of how climate change has been considered under s172 and non-financial and sustainability information (NFSI) reporting obligations.
- For climate-related targets and metrics, an explanation of how those targets and metrics fit into strategic targets/approach.
- [If required to make statement of consistency under the listing rules: A clear statement (TCFD ‘statement of consistency’) as required by [UKLR 6.6.6\(8\)R](#), [UKLR 14.3.24R](#), [UKLR 16.3.23R](#) & [UKLR 22.2.24R](#) (delete as appropriate) setting out whether disclosures consistent with the 11 TCFD recommendations have been provided.
- [If providing TCFD disclosures: An explanation of how materiality has been applied to the TCFD disclosures and how the TCFD all-sector guidance and, where appropriate, supplemental guidance for financial and non-financial companies has been taken into account in the assessment of consistency with the TCFD framework.
- [If providing CFD disclosures: Management should carefully consider the non-binding guidance in making relevant climate-related financial disclosures.]
- Clear cross-references from the NFSI statement to the relevant information disclosed within the Annual Report to meet the UK CFD regulations, together with any reasoned explanations by directors where certain CFD disclosures have been omitted, as permitted, on the basis that they are not deemed necessary for an understanding of the business.

Our audit response to these risks is included in Appendix [5], Other areas of audit focus, on page [].

Disclosures that may be affected by climate and sustainability related risks include:

- Principal risks and uncertainties
- Business model
- Going concern and longer term viability statement
- s172 statement
- Critical accounting judgements and areas of estimation uncertainty
- Impairment of non-financial assets
- [Other account balances]

[We expect transparency in the annual report of the underlying assumptions used in cash flow projections that underpin measurement and recognition in the financial statements. For instance:

- what climate change assumptions are these based on
- whether these assumptions are consistent with commitments made to investors, the Paris Climate Agreement and the UK goal to achieve net zero GHG emissions by 2050
- sensitivities behind these assumptions and how they affect judgements and estimates in the financial statements.]

Sector developments

Audit Scotland: NHS in Scotland 2025 – Finance and performance

Background and overview:

Despite increased funding and staff, NHS Scotland faces significant financial sustainability challenges, with many boards struggling to break even. Operational performance has not improved as expected, particularly with persistent waiting list issues. While new reform frameworks are in place there's a critical need to address the gap between policy ambitions and on-the-ground delivery to ensure long-term sustainability.

Key messages:

Financial Sustainability: Despite health spending reaching £20.6 billion in 2024/25 and increased funding, NHS Scotland is not in a financially sustainable position. NHS Boards achieved unprecedented saving but many still struggle to break even, requiring Scottish Government loans. Health pending is projected to continue growing making efficiency and reform crucial for financial sustainability.

Performance vs. Resources: Despite substantial increases in funding (+£3bn since 2019) and staff (+20,000 WTE), NHS Scotland's 2024/25 performance has not met commitments. Persistent demand and uncertain sustainability mean that while waiting lists are starting to fall, significant improvements in productivity and comprehensive reform are crucial for better health outcomes and service delivery.

Reform Plans and Implementation Gap: New reform plans (OIP, SRF, PHF) are positive steps. However, long-standing ambitions, such as shifting care to the community, remain undelivered. Addressing this persistent gap between policy and execution is vital for the long-term health of Scotland's citizens, requiring effective implementation of these frameworks.

Next steps:

The full report is available at: [NHS in Scotland 2025: Finance and performance](#)



AUDITOR GENERAL 

Prepared by Audit Scotland
December 2025

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