



Scott-Moncrieff
business advisers and accountants

NHS 24

External Audit Plan
2016/17

February 2017

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Introduction

Introduction

1. This document summarises the work plan for our 2016/17 external audit of NHS 24.
2. The core elements of our work include:
 - an audit of the NHS 24's 2016/17 financial statements and related matters;
 - an interim audit, taking into consideration the work of internal audit, on accounting systems, corporate governance arrangements and the Organisational Improvement Programme;
 - a review of NHS 24's arrangements as they relate to the following four dimensions of wider-scope public audit; governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland, for example, local performance audit work.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of Scottish Parliament. The Auditor General is independent and not subject to any control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of most public bodies in Scotland outside the local government sector, including NHS bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of NHS 24 for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2016/17 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;
 - our audit strategy;

- our planned audit work and how we will approach it;
- our proposed audit outputs and timetable; and
- background to Scott-Moncrieff and the audit team.

Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to NHS 24 through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help NHS 24 promote improved standards of governance, better management and decision making and more effective use of resources.
7. Any comments you may have on the service we provide would be greatly appreciated at any time. Full contact details for your audit team can be found in Appendix 1.
8. While this plan is addressed to the Board, it will be published on Audit Scotland's website www.audit-scotland.gov.uk.

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Responsibilities of Scott-Moncrieff

Responsibilities of Scott-Moncrieff

Code of Audit Practice

- 9. A new Code of Audit Practice was published in 2016 and applies to external audits for financial years starting on or after 1 April 2016. This Code replaces the previous one issued in 2011.
- 10. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Auditor responsibilities

- 11. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
- 12. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

Exhibit 1: Audit dimensions of wider scope public audit

Audit area	Scope
Financial sustainability	Financial sustainability looks forward to the medium (two to five years) and the longer term (over five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Governance and transparency	Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.
Value for money	Value for money is concerned with using resources effectively and continually improving services.

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Audit strategy

Audit strategy

Risk-based audit approach

13. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to NHS 24. This

ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:



14. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

Communications with those charged with governance

15. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with NHS 24 that these communications will be through the Audit & Risk Committee (ARC).

Professional standards and guidance

16. We perform our audit of the annual accounts in accordance with International Standards on Auditing (UK and Ireland) (ISAs), the International Standard on Quality Control 1 (UK and Ireland), Ethical Standards, and applicable Practice Notes and other guidance issued by the Auditing Practices Board (APB).

Partnership working

17. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Audit Scotland

18. Although we are independent of Audit Scotland and are responsible for forming our own views

and opinions, we do work closely with Audit Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

19. Audit Scotland undertakes national performance audits on issues affecting the NHS. We will review NHS 24's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which NHS 24 uses the national performance reports as a means to help improve performance at the local level.

20. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal audit

21. We are committed to avoiding duplication of audit effort and ensuring an efficient use of NHS 24's total audit resource. NHS 24's internal audit function is provided by PwC. We

will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to NHS 24 is used efficiently and effectively.

Shared systems and functions

22. Audit Scotland encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other external auditors, agreeing an appropriate division of work and sharing audit findings. NHS 24 use NHS National Services Scotland for ledger and payroll services. NHS 24 also uses the National Single Instance (NSI) e-financials service (financial ledger services hosted by NHS Ayrshire and Arran). The appointed auditors to these organisations will share with us their findings on work carried out on those systems.

Other inspection bodies

23. We plan to contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. Through enquiry of management as part of our initial planning discussions, we have currently not identified any other inspection work planned for 2016/17 which is directly relevant to our work, other than the work of internal audit and Audit Scotland. We will monitor this situation over the course of 2016/17 and update our plans as necessary.



Annual accounts

Annual accounts

Introduction

24. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of NHS 24's annual accounts.

Approach to audit of annual accounts

25. Our opinion on the annual accounts will be based on:

Risk-based audit planning

26. We focus our work on the areas of highest risk in all aspects of our work, including our audit of the annual accounts. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

An audit of key systems and internal controls

27. We review the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

28. The nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and NHS 24's own policies and procedures.

29. Wherever possible we will look to integrate internal audit's reviews of systems and controls with our own work. We will update the risk assessment following our review of the adequacy of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

A final audit of the annual accounts

30. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.

31. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the NHS Scotland Board Accounts Manual and the Accounts Direction issued by Scottish Ministers.

32. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

Independent auditor's report

33. Our opinion on the truth and fairness of the annual accounts and the regularity of transactions will be set out in our independent auditor's report which will be included within the annual accounts.

34. In line with the Companies Act 2006 requirements that apply in the private sector, we are also required to give an opinion on the remuneration report, annual governance statement and whether management commentaries are consistent with the disclosures in the annual accounts.

Materiality

35. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

36. Our initial assessment of materiality for the annual accounts is £1.3million, being 1.8% of NHS 24's Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for NHS 24 and one of the principal considerations for the users of the accounts when assessing financial performance. We will review our assessment of materiality throughout our audit.

37. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We will perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	40%	£0.520million
Medium	50%	£0.650million
Low	70%	£0.910million

38. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;

- Uncorrected misstatements with a value in excess of 2% of the overall materiality figure (i.e. over £26,000); and
- Other misstatements below the 2% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

39. Auditing standards require that we inform the ARC of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the ARC if our assessment changes significantly during the audit.

Exhibit 2 – Key audit risks in the annual accounts

1. New Technology Platform

NHS 24 has invested extensively in the delivery of a new technology platform over the past five years. Previously referred to as the Future Programme this is now one strand of the Organisational Improvement Programme (OIP) which is being implemented within the organisation. The current forecast implementation costs for the technology part of the OIP which amount to £131.2million are £55.4million higher than the original projection of £75.8million. The delay in implementing the new technology platform has led to significant additional costs, both in respect of delivering the new operational system and maintaining the current system.

NHS 24 has gone live with phase one of the new technology and this has reportedly been a success. The plan is to go live with the system with a pilot health board by March 2017.

NHS 24's financial plan assumed that the new system would be fully operational by 30 June 2016. However, in April 2016, the NHS 24 Board was advised that the June 2016 launch would not be achieved as a result of a number of significant issues emerging within the programme. This was agreed with the Board on 29 June 2016.

The financial plan assumed costs of £7.1million in 2016/17 to implement the system. These have since increased to £10.1million, primarily due to additional double running costs due to the decision to move to a phased implementation throughout 2016/17. To mitigate this issue NHS 24 has decided to reduce its corporate reserve, release additional monies from specific departments, and re-prioritise in-year allocations.

Due to the scale of the challenge, and the need to identify further efficiency savings across NHS 24's spend portfolio, there is a risk that NHS 24 is unable to meet its financial targets in 2016/17 and beyond, including the achievement of a breakeven position against its Revenue Resource Limit (RRL).



40. We will monitor the impact of the latest delay in the technology programme and will consider the implications this has across the organisation. We will ensure that detail on the matter as included within the year end annual report is consistent with the audited accounts and in line with our understanding of events.
41. Our specialist project management consultants will undertake a further status review, building upon their assessment conducted during 2013/14, 2014/15 and 2015/16.
42. We will consider the extent to which the projected costs of the new technology strand of the OIP have been built in to NHS 24's financial plans, ensuring that financial reporting presented to the Board is robust. This analysis will also confirm that management reporting reconciles to the

Exhibit 2 – Key audit risks in the annual accounts

audited financial statements.

43. We will undertake analytical review on all costs incurred in year, including costs associated with the programme, to ensure that they have been correctly classified and we will undertake supporting transaction testing to satisfy that costs have been accounted for correctly. This will ensure coverage of implementation and maintenance costs, legal costs and the repayment of brokerage.

2. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



44. In response to this risk we will review NHS 24's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly.

3. Revenue Recognition

Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that NHS 24 could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.



45. At this stage of our audit cycle, we do not believe the risk of fraud in revenue recognition is material to the annual accounts and have therefore rebutted this risk. We will however continue to review this position throughout the audit.

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Wider scope audit

Wider scope audit

Introduction

46. The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we will consider and report against these four dimensions; financial sustainability, financial management, governance and transparency and value for money. At the outset we will consider NHS 24's self-evaluation arrangements as they relate to these four dimensions.
47. We have not identified any significant risks at this stage of the planning process, but we will review and update this assessment if we identify any issues during our subsequent planning or associated audit work.

Financial sustainability

48. Financial sustainability looks forward to the medium and longer term to consider whether NHS 24 is planning effectively to continue to deliver its services or the way in which they should be delivered.

NHS 24 responsibilities

49. NHS 24 is responsible for putting in place proper arrangements to ensure their financial position is soundly based having regard to:
- Such financial monitoring and reporting arrangements as may be specified;
 - Compliance with any statutory financial requirements and achievement of financial targets;
 - Balances and reserves, including strategies about levels and their future use;
 - How the organisation plans to deal with uncertainty in the medium and long term
 - The impact of planned future policies and foreseeable developments on the financial position.

2016/17 financial position

50. NHS 24's total budget for 2016/17 is £72.854million, a decrease of £1.473million compared with 2015/16. As at 30 September 2016, NHS 24 reported a small underspend against RRL of £0.248million.
51. During 2016/17, NHS 24 plans to incur capital spend of £0.6million, primarily in relation to its Estates Strategy/Model Office. Additional

capital spend includes ventilation works at Caledonia House. NHS 24 has a history of underspending against its capital budget allocation, and only incurred £0.087million in 2015/16.

52. In 2015/16, NHS 24 reported an underspend of £0.055million against a budget of £74.327million. This underspend was a result of a combination of small underspends across the organisation and the application of the 2015/16 corporate reserve.
53. Where allocated funds are unspent on a recurring basis, there is a risk that the Scottish Government may reduce future funding to NHS 24 as a result, particularly when facing austerity measures.

Our audit approach

54. During our 2016/17 audit we will consider NHS 24's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control NHS 24's operations and use of resources.

Financial management

55. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

NHS 24 responsibilities

56. It is NHS 24's responsibility to ensure that its financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.
57. NHS 24 is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.

58. It is NHS 24's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Our audit approach

59. During our 2016/17 audit we will review, conclude and report on the following:
- Whether NHS 24 has arrangements in place to ensure systems of internal control are operating effectively;
 - Where NHS 24 can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
 - How NHS 24 has assured itself that its financial capacity and skills are appropriate;
 - Whether NHS 24 has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and
 - NHS 24's participation and progress in the National Fraud Initiative, including any significant issues. NHS 24 must submit data must in October 2016 and matches for investigation will be received by NHS 24 in January 2017. Audit Scotland expects match investigation to be largely complete by 30 September 2017.

Governance and transparency

60. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

NHS 24 responsibilities

61. NHS 24, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. NHS 24 should involve those charged with governance in monitoring these arrangements.

62. NHS 24 is also responsible for establishing effective and appropriate internal audit and risk management functions.

Our audit approach

63. We will review the effectiveness of NHS 24's governance framework and the extent to which board and committee roles, membership and terms of reference comply with current guidance.
64. We will consider whether the information provided to the board and committees is sufficient for members to assess the impact of decisions on resources and performance.
65. Our work will include consideration of how risk management has been addressed within NHS 24. We will also consider NHS 24's internal audit arrangements to determine their role in examining the control systems established by management.

Value for money

66. Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

NHS 24 responsibilities

67. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

Our audit approach

68. During our 2016/17 audit we will work with NHS 24 to identify and review evidence which demonstrates the achievement of value for money in the use of its resources.
69. We will seek evidence from NHS 24 that outcomes are improving and there is sufficient focus on improvement and the pace of it.
70. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that NHS 24 may have a direct interest in.

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Audit outputs, timetable and fees

Audit outputs, timetable and fees

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2016/17.	November 2016
Interim management report	Report	This report will summarise our interim work on accounting systems and corporate governance arrangements.	March 2017
Independent Auditor's Report	Report	This report will contain our opinions on the truth and fairness of the annual accounts and on the regularity of transactions.	June 2017
Annual Report to the Board and the Auditor General for Scotland	Report	At the conclusion of each year's audit we will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work on the use of resources, annual accounts and governance arrangements.	June 2017

Audit outputs

- 71.** Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate. We will endeavour to supply a draft report within three weeks of completion of the fieldwork. We will require formal management responses within two weeks of receipt of the draft report. On occasion these timescales may need to be shortened, e.g. to meet the June 2017 Audit and Risk Committee (ARC) and certification deadlines.
- 72.** The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

Audit fee

- 73.** Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has well functioning controls, an effective internal audit service, and an average risk profile. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors'

experience, new requirements, or significant changes to the audited body. The auditor remuneration element of the total fee can be increased by up to 10%, without Audit Scotland approval, based on the risks and expected additional work required. Any proposed increases above 10% must be approved by Audit Scotland.

- 74.** Audit Scotland has set an expected fee for NHS 24 of £52,310. We have uplifted the auditor remuneration element of this by 10% based on our assessment of the risks and priorities facing NHS 24, particularly around the technology element of the OIP. We have applied our knowledge and understanding of NHS 24 gained during our previous audits. The proposed fee represents the resource required by us, as your external auditor, to continue to understand the priorities and risks facing NHS 24 and the impact these have on the audit. The total proposed audit fee for NHS 24 for 2016/17 is therefore £56,431, as shown by the table below:

Element	£
Auditor remuneration	45,331
Pooled costs	6,630
Contribution to PABV	2,100
Contribution to Audit Scotland costs	2,370
Total	56,431

75. The audit fee covers:

- the 2016/17 audit work and outputs described in this plan;
- attendance at all ARC meetings;
- access to advice and information on relevant audit issues; and
- a contribution towards Audit Scotland's costs which cover national performance audit reports, the NHS overview report, best value development, coordination of the NFI and other support costs.

76. We will take account of the risk exposure of NHS 24 and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. We have agreed that draft accounts will be provided w/c 1 May 2017, during the course of our onsite work. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit timetable

77. The dates for our interim and final audits have been discussed with the Deputy Director of Finance. A summary timetable, including audit outputs, is set out below:



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Appendices





Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

We have been external auditors within the public sector for at least fifty years. We provide a

comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Your core audit team

	<p>Nick Bennett Audit Partner nick.bennett@scott-moncrieff.com</p>	<p>Nick has been the Audit Partner on the NHS 24 audit for the last five years. Nick has over 20 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards.</p> <p>Nick's experience and expertise is acknowledged by both clients and by other professionals right across the public sector.</p> <p>Nick will be your appointed Engagement Lead.</p>
	<p>Michael Smith Manager michael.smith@scott-moncrieff.com</p>	<p>Michael has over 6 years' experience in the provision of external audit services. Michael will be the day to day contact for this assignment and has worked on the NHS 24 external audit for a number of years.</p>
	<p>Georgina Philp Assistant manager georgina.philp@scott-moncrieff.com</p>	<p>Georgina has over 4 years' experience in the provision of external audit services and was the audit senior for the NHS 24 audit in 2015/16. Georgina will be responsible for the delivery of the onsite work.</p>
	<p>Campbell McLundie Consultant campbell.mclundie@scott-moncrieff.com</p>	<p>Campbell is a consultancy expert, providing a range of IT audit, assurance and project management services. Campbell has over 30 years' experience of working with public, private and not for profit clients in ensuring that business technology delivers strategic benefits and is managed efficiently and effectively.</p>

Confirmation of independence

ISA 260 requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we will comply with APB Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and NHS 24, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

With regard to our appointment for a second term, we can confirm that we comply with APB Ethical Standard 3 – Long association with the audit engagement which states that careful consideration must be given once an audit engagement partner has held the role for a continuous period of ten years. Therefore, the new appointment for a second five year term does not contradict the requirement of the APB. This is in line with guidance from Audit Scotland which states that there is no expectation for the rotation of audit partners for special health board audits.

Appendix 2: Statement of understanding

Introduction

The purpose of this Statement of understanding is to clarify the terms of our appointment and the key responsibilities of NHS 24 and Scott-Moncrieff.

Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant NHS 24 staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statement strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for NHS 24's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from NHS 24 during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Chief Executive.

Internal audit

It is the responsibility of NHS 24 to establish adequate internal audit arrangements. The audit fee is agreed

on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. We will endeavour to supply a draft report within three weeks of the completion of the fieldwork of each element of work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer. Management responses should be prepared and provided to us within two weeks of the receipt of the draft report.

These timescales may need to be truncated, e.g. to meet June 2017 ARC reporting deadline.

Agreement of terms

We shall be grateful if NHS 24's ARC would consider and note this Statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



Scott-Moncrieff
business advisers and accountants