

NHS 24

External Audit Plan

March 2019





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1. Introduction



Introduction

1. This document summarises the work plan for our 2018/19 external audit of NHS 24.
2. The core elements of our work include:
 - an audit of the 2018/19 annual report and accounts;
 - a review of NHS 24's arrangements for governance and transparency, financial management, financial sustainability and value for money;
 - monitoring NHS 24's participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, 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 2018/19 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.

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

Adding value through the audit

8. 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.

Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX.
10. While this plan is addressed to NHS 24, it will be published on Audit Scotland's website www.audit-scotland.gov.uk



2. Respective responsibilities of the auditor and NHS 24



Respective responsibilities of the auditor and NHS 24

Auditor responsibilities

Code of Audit Practice

11. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Our responsibilities

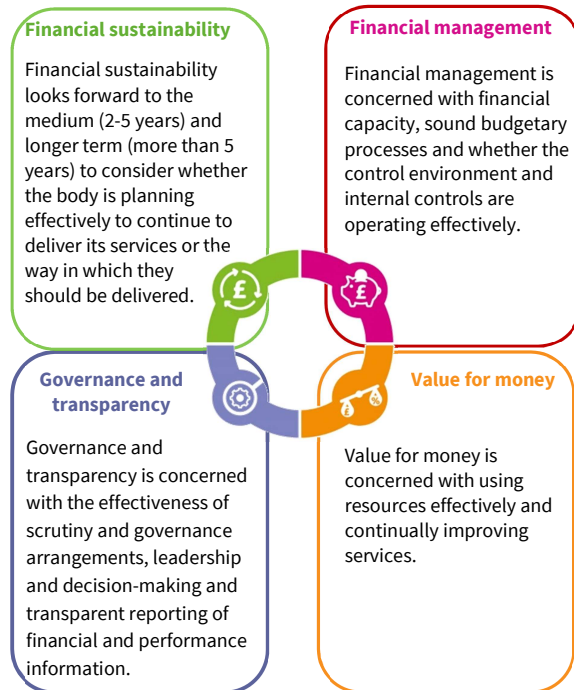
12. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 14). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
 - provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
 - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
 - notify the Auditor General when circumstances indicate that a statutory report may be required
 - demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
 - suitability and effectiveness of corporate governance arrangements
 - financial position and arrangements for securing financial sustainability
13. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Wider scope audit work

14. 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

Exhibit 1: Audit dimensions of wider scope public audit



undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

15. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
16. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
17. Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into



consideration, we have concluded that application of the full wider scope is appropriate at NHS 24.

Board responsibilities

18. NHS 24 has primary responsibility for ensuring the proper financial stewardship of public funds,

compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. NHS 24's responsibilities are summarised in Exhibit 2.

Exhibit 2 – NHS 24's responsibilities

Area	NHS 24's responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>NHS 24 has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority • maintaining proper accounting records • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements
<p>Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>NHS 24 is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • 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; and • The impact of planned future policies and foreseeable developments on the financial position.



Area	NHS 24's responsibilities
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is NHS 24's responsibility to ensure that 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.</p> <p>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.</p> <p>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.</p>
<p>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.</p>	<p>NHS 24, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>NHS 24 is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>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.</p>



3. Audit strategy



Audit strategy

Risk-based audit approach

19. 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:

Discussions with senior officers at NHS 24	Our understanding of the health sector and its key priorities and risks	Attendance at the Audit & Risk Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other NHS auditors	Discussions with internal audit and reviews of their plans and reports
Review of NHS 24's corporate strategies and plans	Review of NHS 24's corporate risk register	Consideration of the work of other inspection bodies as appropriate

20. 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

21. 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.

Professional standards and guidance

22. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

Partnership working

23. 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

24. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them 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.
25. Audit Scotland undertakes national performance audits on issues affecting the public sector. 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.
26. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal audit

27. We are committed to avoiding duplication of audit effort and ensuring an efficient use of NHS 24's total



audit resource. 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

28. 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 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

29. 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 not identified any other inspection work planned for 2018/19 which is directly relevant to our audit, other than the work of internal audit and Audit Scotland. We will monitor this situation over the course of 2018/19 and update our plans as necessary.

National Fraud Initiative (NFI)

30. Audit Scotland is commencing another major NFI data sharing and matching exercise in 2018/19. Under the Public Finance and Accountability (Scotland) Act 2000 the Cabinet Office carries out the matching exercise on behalf of Audit Scotland who then publishes the results.
31. As a participating body in the exercise, NHS 24 was required to submit all required data sets for matching by October 2018. Matches for investigation are expected to be made available in January 2019.
32. Audit Scotland expects all participating bodies to investigate all recommended matches and apply a risk based approach to others. The majority of investigations are to be completed by 30 September 2019.
33. We will monitor and report on NHS 24's participation and engagement with the NFI exercise during 2018/19 and 2019/20.



4. Annual report and accounts



Annual report and accounts

Introduction

34. Health boards' annual report and 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 report and accounts.
35. The annual report and accounts of NHS 24 comprise the financial statements, the performance report and the accountability report.

Approach to audit of the financial statements

36. Our opinion on the financial statements will be based on:

Risk-based audit planning

37. We focus our work on the areas of highest risk. 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 financial statements will be based.

An audit of key systems and internal controls

38. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
39. The systems we review and 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.
40. We will take cognisance of any relevant internal audit reviews of systems and controls.
41. We will update the risk assessment following our evaluation 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 financial statements

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

43. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the NHS Scotland Board Accounts Manual and the Accounts Direction issued by Scottish Ministers.
44. 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

45. Our opinion on whether the financial statements give a true and fair view of the financial position and its net expenditure and of the regularity of transactions will be set out in our independent auditor's report which will be included in the annual report and accounts.
46. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

Materiality

47. Materiality is an expression of the relative significance of a matter in the context of the financial statements 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. We will review our assessment of materiality throughout our audit.
48. Our initial assessment of materiality for the financial statements is £1.214million approximately 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.
49. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
50. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We 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 at significant risk of material misstatement.

- Uncorrected misstatements with a value in excess of 2% of the overall materiality figure (i.e. over £24,000); and
- Other misstatements below the 2% threshold that we believe warrant reporting on qualitative grounds.

	Area risk assessment		
	High	Medium	Low
Performance materiality	546	668	850

Key audit risks in the financial statements

52. Auditing standards require that we inform the Audit Committee of our assessment of the risk of material misstatement in the financial statements. 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 Audit & Risk Committee if our assessment changes significantly during the audit.

51. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;

Exhibit 3 – Key audit risks in the financial statements

1. Management override

In any organisation, there exists a risk that management has 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 financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements*.

53. In response to this risk we will review NHS 24’s accounting records and obtain evidence that any significant transactions outside the normal course of business were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk.

2. Revenue recognition

Under ISA (UK) 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 revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

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



3. Risk of fraud in the recognition of expenditure

The FRC published a revised Practice Note 10 which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure. In line with the practice note, our presumption is that NHS 24 could adopt accounting policies or recognise expenditure in a way that materially misstates NHS 24's financial performance.

55. In response to this risk we will evaluate the significant expenditure streams at NHS 24 (excluding payroll which we do not consider to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider NHS 24's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

The performance report, accountability report and other information

56. The HM Treasury Government Financial Reporting Manual 2018/19 sets out the content required within the annual report and accounts. In addition to presenting our opinions over the financial statements our independent auditor's report will also present our opinion on other aspects of the annual report and accounts:

- a detailed summary of how the entity measures its performance.

60. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

Other information

57. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report thereon. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.
58. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report

The accountability report

61. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:

- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
- A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
- A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.

62. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.

The performance report

59. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains two sections:
- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and



5. Wider scope audit



Wider scope audit

Introduction

63. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. As part of our annual audit we consider and report against these four dimensions:

- financial sustainability
- financial management
- governance and transparency; and
- value for money.

64. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an

understanding of NHS 24's key priorities and risks. In 2018/19, Audit Scotland has also identified the following wider scope risks, which we will consider during our audit as they relate to NHS 24:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency.

65. At this stage of our audit planning, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability (Exhibit 4).

Exhibit 4 – Wider Scope Significant Risk

1. Financial sustainability

At 31 March 2017, NHS 24's brokerage balance to be repaid to the Scottish Government totalled £18.232million. £4.959million was deducted from NHS 24's RRL in August 2018, leaving a balance to be repaid of £13.273million post 2018/19. NHS 24 plan to make final brokerage repayments in 2022/23.

For 2018/19, NHS 24 is required to identify efficiency savings in order to achieve breakeven totalling £2.060million. There is a risk that not all planned budget savings will be delivered recurrently. £0.717 million was removed non-recurrently from non-clinical departmental budgets. This represented a 5% reduction to all non-clinical budgets excluding technology contracts. This presents a significant challenge for non-clinical department to achieve the 5% efficiency saving, which follows a 10% recurring reduction in each of the previous two financial years.

66. In response to this risk we will monitor NHS 24's ongoing financial position. We will review financial monitoring reports to the Board and Finance and Performance Committee to gain assurance on the identification and achievement of savings, and any impact on the quality and performance of the service. We will draw conclusions on this work and risks for future years within our annual report.

67. We have not, at this stage, identified any significant risks in relation to the other dimensions. Audit planning however is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report. The table below summarises our audit work in respect of each dimension.



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

Consideration

As noted in Exhibit 4:

In 2017/18 we concluded that the delivery of efficiency savings was identified as a high risk to NHS 24's ability to continue to meet its financial target in 2018/19. We reviewed NHS 24's outturn position as part of our 2017/18 work on financial management and the financial statements. NHS 24 reported a small surplus in 2017/18 and made brokerage payments in excess of the required amount.

Financial projections from 2018/19 onwards indicate ongoing challenges in achieving annual recurring savings targets and brokerage repayments.

In October 2018, the Scottish Government published its Health and Social Care Medium Term Financial Framework. The Framework is supported by financial modelling and highlights the necessity for not only additional investment but continued reform of the Health and Social Care system. It is anticipated that the development of the Framework will provide NHS Boards with more information and funding assurances in order to develop longer term financial and reform plans.

Our audit approach

During our 2018/19 audit we will update our assessment of 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. Our work will also consider the adequacy of NHS 24's preparations and scenario planning for the impact of EU withdrawal (building upon our assessment in the previous year), the impact that the Scottish Government's Medium Term Financial Strategy (MTFS) and Health and Social Care Medium Term Financial Framework has on NHS 24 and the ongoing work with other national health boards.



Financial management

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

Consideration

In 2017/18 we concluded that NHS 24 had satisfactory arrangements in place for financial planning over the medium term and in 2017/18 made further improvements to their Strategic Planning and Resource Allocation ('SPRA') process.

Our audit approach

During our 2018/19 audit we will review, conclude and report on the following:

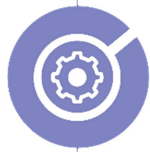
- The achievement of financial targets and effectiveness financial performance reporting during 2018/19;
- Whether NHS 24 continues to have arrangements in



Revised planning structures across the Scottish public sector are being implemented with NHS 24 playing a significant role in collaborating with other National Health Boards and Regional Boards. A key element of this work includes an enabling 5-year financial framework across the National Boards to support transformational plans.

place to ensure systems of internal control are operating effectively;

- How NHS 24 has assured itself that its financial capacity and skills are appropriate;
- The effectiveness of the budgetary control system in communicating accurate and timely performance; and
- Whether NHS 24 has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.



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.

Consideration

In 2017/18, we reported that NHS 24 had appropriate governance arrangements in place. Our assessment was informed by a review of the corporate governance arrangements in place, information provided to the Board and Committees, as well as the risk management arrangements in place.

In January 2018, the Board approved a revision to the scope and name of the Organisational Improvement Programme (OIP) to the Service Transformation Programme (STP). This was to reflect the more collaborative nature of the work now being engaged in and to allow the organisation to move forward now the technology platform has been successfully delivered.

The planning process for the Service Transformation Programme is ongoing but is intended to reflect many of the elements of governance which successfully delivered the core technology platform.

Our audit approach

During our 2018/19 audit we will review, conclude and report on the following:

- NHS 24's governance arrangements in relation to the Service Transformation Programme;
- Whether NHS 24 can demonstrate that the governance arrangements in place are appropriate and operating effectively, including services delivered in collaboration with other NHS Boards;
- Whether induction arrangements for new Board members support effective scrutiny and challenge;
- The transparency of decision-making, and on financial and performance reporting; and
- NHS 24's preparations for the potential impact of Brexit



Value for money

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

Consideration

In 2017/18 we reported that NHS 24 met 15 out of 19 reported targets and that an established and appropriate performance management framework was in place. We reported that work was underway on a revised approach to measuring NHS 24's performance. It was noted that 2018/19 will be a transitional year where NHS 24 will gather data to inform future changes to performance indicators.

NHS 24's 2017-2022 Strategy highlights the unique opportunity of the Board's infrastructure to align itself more closely with primary care in response to a number of drivers including Health and Social Care Integration, the programme of work to Transform Urgent Care and national strategies such as the National Clinical Strategy.

NHS 24 has continued to progress the Service Transformation Programme in 2018/19, highlighted within the 2018/19 Operational Plan.

The Scottish General Medical Services Contract was accepted in February 2018, with the new contract offer refocusing the GP role and the development of Primary Care multidisciplinary teams. NHS 24 has a key role in supporting and improving access through a number of initiatives including in-hours GP Triage and planned improvements of information and digital services.

In support of the national Mental Health Strategy, NHS 24 continues to develop and implement a tiered offering in relation to Mental Health services in 2018/19. NHS 24 aim's to develop digitally enabled mental health services which help reduce waiting times and improve access for people with mental health distress and/or problems. This initiative aims to better align national board mental health services including NHS Inform, Breathing Space and Living Life.

Our audit approach

During our 2018/19 audit we will review, conclude and report on the following:

- The continued development and robustness of NHS 24's revised performance management framework, through the introduction of additional fit for purpose performance indicators;
- The progress and impact of key Service Transformation Programme initiatives including the implementation of GP triage services, health board collaborations and the development of mental health services; and
- How NHS 24 provides evidence of a clear link between investments and prioritised spending against 2018/19 Operational Plan outcomes delivered and progressed in year



6. Audit outputs, timetables and fees



Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of NHS 24.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	March 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the auditable part of the remuneration report, annual governance statement and performance report.	June 2019
Annual Report to NHS 24 and the Auditor General for Scotland	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	June 2019

Audit outputs

68. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
69. 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.

	2018/19	2017/18
Auditor remuneration	£46,850	£45,780
Pooled costs	£4,980	£6,010
Audit support costs	£2,560	£2,510
Total expected fee	£54,390	£54,300

Audit fee

70. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. 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.
71. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
72. For 2018/19, the expected fee for NHS 24 is £42,590. We propose setting the fee above this level at £46,850; to take cognisance of the audit work we will carry out on the priorities and risks facing NHS 24 which are identified in this plan. The expected fee for NHS 24 for the 2018/19 audit is as follows:
73. 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. 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

74. A summary timetable, including audit outputs, is set out as follows:

- NOV 18** ● Planning meetings with senior officers from NHS 24
- DEC 18** ● Presentation of draft External Audit Plan to the Audit and Risk Committee
- JAN 19** ● Interim audit including a review of material accounting systems and wider scope audit dimensions.
- MAR 19** ● Presentation of External Audit Plan to the Audit and Risk Committee
- MAY 19** ● Accounts presented for audit and final audit visit begins
- MAY 19** ● Presentation of our Annual Report on the Audit to the Audit & Risk Committee



7. Appendices





Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 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.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

Your audit management team



Nick Bennett

Audit Partner

nick.bennett@scott-moncrieff.com

Nick has over 25 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged both by clients and by other professionals involved right across the public sector.

Nick has responsibility for the delivery of the audit.



Rachel Wynne

Audit Assistant Manager

rachel.wynne@scott-moncrieff.com

Rachel joined the firm in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience delivering external audit services to a range of public sector bodies, including local authorities, health bodies and further education bodies.

Rachel will manage the onsite team and work alongside Nick to deliver the audit engagement.



Christopher Young

Audit Senior

christopher.young@scott-moncrieff.com

Christopher has 3 years' experience delivering external audit and internal audit services to a range of public sector bodies, including health bodies, local authorities and further education bodies.

Christopher will be responsible for the delivery of onsite work.



Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" 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 FRC's Revised Ethical Standard (June 2016). 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 FRC's Revised Ethical Standard 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 Revised Ethical Standards. 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 3: 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 report and accounts

We will require the annual report and 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 statements 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 financial statements. 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. 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.

Agreement of terms

We shall be grateful if the audit & risk committee 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.

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Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.