

NHS 24

2019/20 Annual Audit Report to the
Board and the Auditor General for
Scotland

August 2020

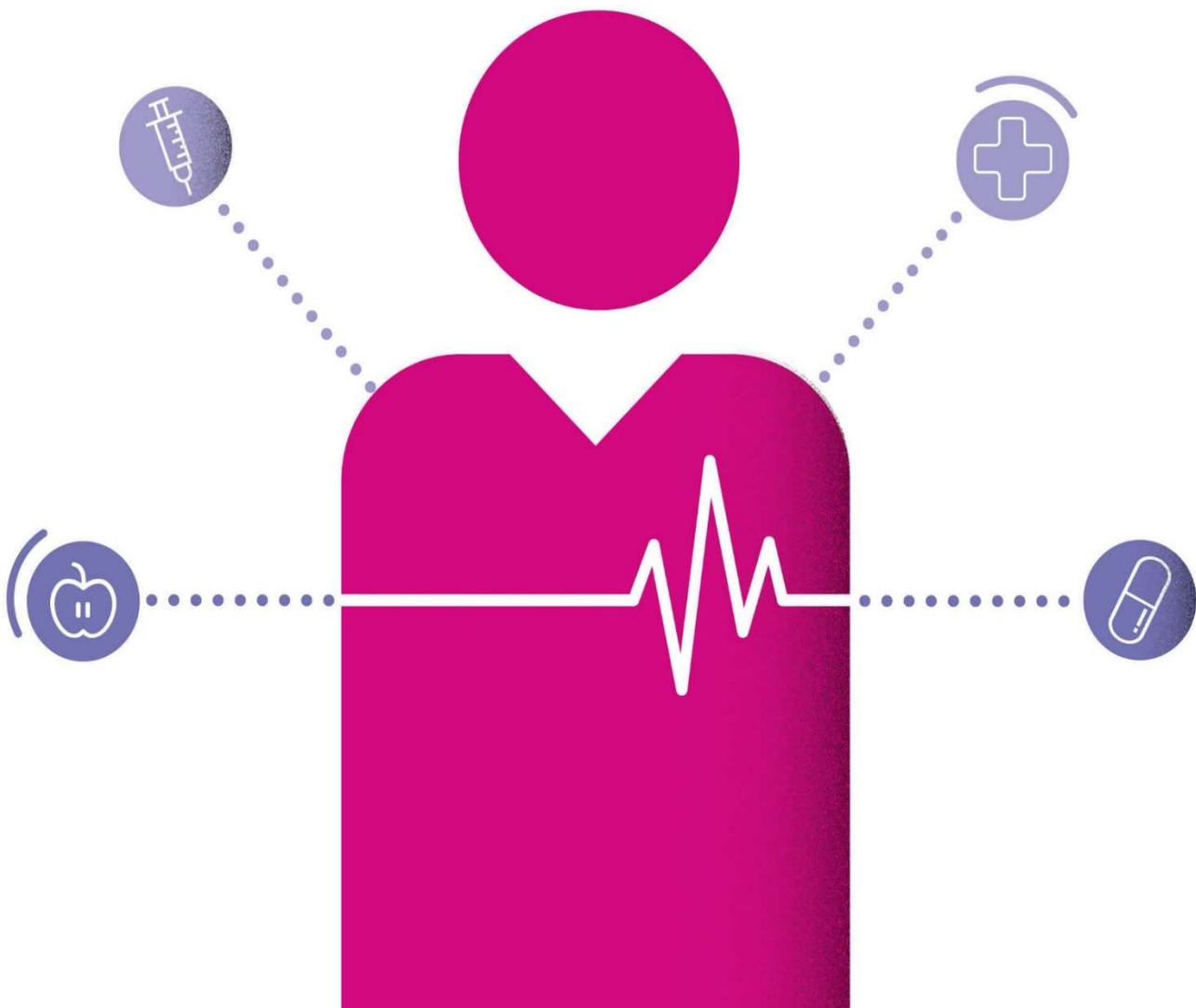




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1. Key messages



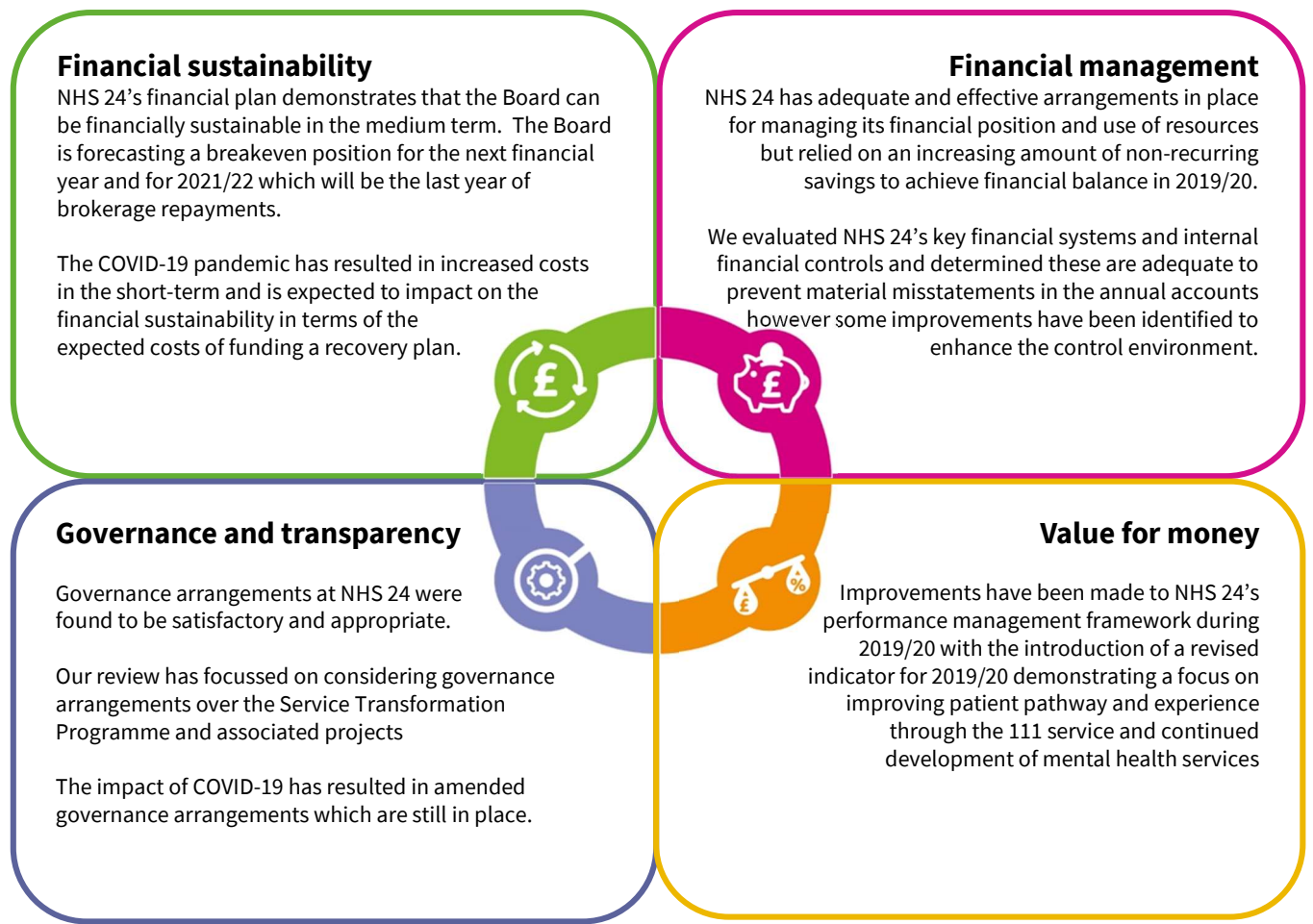
Annual accounts audit

All key financial targets were met in 2019/20. NHS 24 achieved an underspend against its revenue resource limit of £0.098 million and a breakeven position against its capital resource limit of £0.401 million.

The annual report and accounts are due to be approved by the Board on 27 August 2020. We intend to report within our independent auditor’s report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.

The annual accounts and supporting schedules were of a high standard. Our thanks go to staff at NHS 24 for their assistance with our work.

Wider scope audit



Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Scott-Moncrieff
August 2020



2. Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of NHS 24 for 2019/20.

We carry out our audit in accordance with Audit Scotland’s Code of Audit Practice (May 2016). This report also fulfils the requirements of International Standards on Auditing (UK) 260: Communication with those charged with governance.

At NHS 24, the Audit and Risk Committee has been designated as “those charged with governance”.



Introduction

1. This report summarises the findings from our 2019/20 audit of NHS 24.
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit. The core elements of our work include:
 - an audit of the 2019/20 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring NHS 24's participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



3. NHS 24 is responsible for preparing the annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts 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.
4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding on appropriate actions. We give each recommendation a grading to help NHS 24 assess their significance and prioritise the actions required.
5. We discussed and agreed the content of this report with the Director of Finance. We would like to thank all management and staff for their co-operation and assistance during our audit.

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 the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

9. All of our clients 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 the Board promote improved standards of governance, better management and decision making and more effective use of resources.

10. As part of our 2019/20 audit we added value to NHS 24 and Audit Scotland in a range of ways:

Regular contact with the Board

11. We invest senior time to ensure that we keep up to date with significant issues and share that knowledge across our team. Examples include:
 - We hold regular catch ups with the Director of Finance and Deputy Director of Finance.
 - We hold discussions with the Board's finance team, in advance of the preparation of the annual accounts.

Providing assurance to the Board and Audit Scotland

- We met the deadlines set out in Audit Scotland's annual planning guidance in respect of the delivery of audit plans, independent auditor reports and annual reports.
- We participated in meetings of Sharing Intelligence for Health & Care Group alongside NHS 24's other scrutiny bodies.



3. Annual report and accounts

NHS 24's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2019/20 annual report and accounts.



Annual report and accounts

An unqualified audit opinion on the annual report and accounts

The annual report and accounts for the year ended 31 March 2020 are due to be approved by the Board on 27 August 2020. We intend to report unqualified opinions within our independent auditor's report. We did not identify any significant adjustments to the unaudited annual report and accounts.

The Board has appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.

Overall conclusion

An unqualified audit opinion on the annual report and accounts

12. The annual report and accounts for the year ended 31 March 2020 are due to be considered by the Audit and Risk Committee on 13 August 2020 and approved by the Board on 27 August 2020. We intend to report within our independent auditor's report:
- An unqualified opinion on the financial statements;
 - An unqualified opinion on regularity; and
 - An unqualified opinion on other prescribed matters.

Our audit opinion is based on the Board approving the financial statements and signing the letter of representation. Within the letter of representation, the Board confirm that there are no subsequent events that require amendment to the financial statements

Good administrative processes were in place

13. We received the unaudited annual report and accounts and supporting papers of a high standard, in line with our agreed audit timetable. Our thanks go to staff at NHS 24 for their assistance with our work.
14. The annual report and accounts will be submitted to the Scottish Government and Auditor General for Scotland by the 30 September 2020 deadline.

Our assessment of risks of material misstatement

15. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described in Exhibit 2.



Exhibit 2 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

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*.

Excerpt from the 2019/20 External Audit Plan

16. We have not identified any indication of management override in the year. We have reviewed NHS 24's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

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.

Excerpt from the 2019/20 External Audit Plan

17. At the planning stage of our audit cycle, we reported that we did not believe the risk of fraud in revenue recognition was material to the annual accounts and we therefore rebutted this risk. This position has been reviewed throughout the audit and this conclusion has remained appropriate.



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.

Excerpt from the 2019/20 External Audit Plan

18. We have evaluated each type of expenditure transaction and documented our conclusions. We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion we carried out testing to confirm that the Board's policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

Update to our initial risk assessment

COVID-19

The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced; systems and processes have been amended to support remote working; arrangements for governance, decision making and performance management have been adapted; and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.

The implications of these risks and uncertainties are under consideration by the Board, the health sector and the Scottish Government. We continue to monitor government and relevant announcements as they pertain to the audit and have adapted our audit approach as required.

19. Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a key audit risk¹.
20. In response to this risk we identified a number of potential areas where there was the risk of material misstatement to the financial statements and/or our audit opinion. These areas included:
- Content of the annual report and accounts;
 - Access to audit evidence; and
 - Timescales/administrative processes.

Content of the annual report and accounts

21. In May 2020, HM Treasury issued an addendum to the Government Financial Reporting Manual (FRoM) which covered the following:
- The addendum permits, but does not require, bodies to omit the performance analysis section from the Performance Report. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to the relevant publication.
 - Where unaudited information otherwise required to be included in the Accountability Report is already published elsewhere, bodies

¹ A key audit risk is one which may result in a material misstatement to the financial statements or significantly impact on our audit judgements and conclusions on the four wider scope

dimensions: financial sustainability, financial management, governance and transparency and value for money.



are permitted to refer to the relevant publication rather than including the information in their Accountability Report.

22. The Board took the decision to include the performance analysis section of the Performance Report and make the full disclosures in the Accountability Report.

Access to audit evidence

23. Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.
24. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced. NHS 24 were able to provide digital copies of all audit evidence required to allow us to complete our audit testing.

Timescales/Administrative processes

25. In Scotland, the administrative deadline for the submission of audited accounts of health boards and agencies is usually 30 June but this has been extended by three months to 30 September 2020. The legislative deadline for laying accounts in the Scottish Parliament however remains at 31 December 2020.
26. The Board has decided to use the option of additional time and work towards the deadline of 30 September 2020.
27. We have been working closely with management throughout the audit to ensure that this timetable is adhered to.

Our application of materiality

28. 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 review our assessment of materiality throughout the audit.
29. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature,

timing and extent of audit procedures carried out. 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.

30. Performance materiality is set at a value 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 overall materiality.
31. Our initial assessment of materiality for the financial statements was £1.310million. On receipt of the 2019/20 draft accounts, we reassessed materiality and maintained this threshold. We consider that our updated assessment has remained appropriate throughout our audit. Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.
32. Our assessment of materiality is set with reference to the revenue resource limit. We consider this to be the principal consideration for the users of the financial statements when assessing the financial performance.

Audit differences

33. We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.

An overview of the scope of our audit

34. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in March 2020. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
35. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
36. Our standard audit approach is based on performing a review of the key financial systems in



place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and the audit partner. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

Other matters identified during our audit

37. During the course of our audit we noted the following:

Other information in the annual report and accounts

38. “Other information” in the annual report and accounts comprises any information other than the financial statements and our independent auditor’s report. We do not express any form of assurance conclusion on the “other information” except as specifically stated below.

The performance report

39. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It comprises an overview of the organisation and a detailed summary of how the entity measures performance.
40. We have concluded that the performance report has been prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements.

The accountability report

41. The accountability report is required in order to meet key parliamentary accountability requirements and comprises three sections: a corporate governance report (including the governance statement), a remuneration and staff report, and a parliamentary accountability report.

Governance statement

42. We consider the coverage of the governance statement to be in line with our expectations.
43. We have concluded that the governance statement has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers and is consistent with the financial statements.

Remuneration and staff report

44. We have concluded that the audited part of the remuneration and staff report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions from Scottish Ministers.

Regularity

45. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts. We did not identify any instances of irregular activity.

Looking forward – IFRS 16 Leases

46. IFRS 16 Leases will be effective from 1 April 2021 (deferred from 1 April 2020 in response to the COVID-19 pandemic). IFRS 16 Leases will lead to a substantial change in accounting practice for lessees where the current distinction between operating and finance leases will be removed. Instead, it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee’s obligation to pay for that right.
47. There are new requirements for measurement of the lease liability where it will initially be measured at the present value of the lease payments payable over the lease term but may rise to reflect any reassessment or lease modifications, or revised in-substance fixed lease payments.
48. We have noted in our review of financial plans that this is being considered by the NHS 24 finance team.

Qualitative aspects of accounting practices and financial reporting

49. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to the valuation of liabilities related to the Board's membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These estimates have been informed by advice from qualified, independent experts. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.
The appropriateness of the going concern assumption	We have reviewed the detailed financial forecasts for 2020/21. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the financial statements.	The annual report contains no material misstatements or inconsistencies with the financial statements.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



4. Financial sustainability

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

NHS 24 has satisfactory arrangements in place for financial planning over the medium term. NHS 24 continues to deliver the necessary financial plans and projections with the overall aim of achieving a balanced budget. The cost of COVID-19 is estimated at £10m and the longer-term impact on recovery plans and future funding remains unclear.



NHS 24 is forecasting a breakeven position for the next two years and will conclude brokerage payments in 2021/22, which will help support strategic priorities.

Funding of pay and associated costs is identified as a high risk to NHS 24's ability to continue to meet its financial target in 2020/21 considering recent recruitment drives as a result of COVID-19. NHS 24 has fulfilled its duty to the Scottish Government of creating a mobilisation plan and reporting regularly the increased costs associated with COVID-19.



Significant audit risk

50. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities

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 2019/20. NHS 24 plan to make final brokerage repayments in 2021/22.

For 2019/20, 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 departments to achieve the 5% efficiency saving, which follows a 10% recurring reduction in each of the previous two financial years.

Excerpt from the 2019/20 External Audit Plan

51. We have reviewed NHS 24’s outturn position as part of our work on financial management and the financial statements. The Board reported an underspend in 2019/20 and made brokerage payments in addition to those required under their repayment plan. Our work on the financial projections from 2020/21 onwards is set out below and notes ongoing challenges in achieving the recurring savings targets and brokerage repayments with the increased financial risks associated with the mobilisation plan and ultimately recovery plan for COVID-19.

Health and social care medium term financial framework

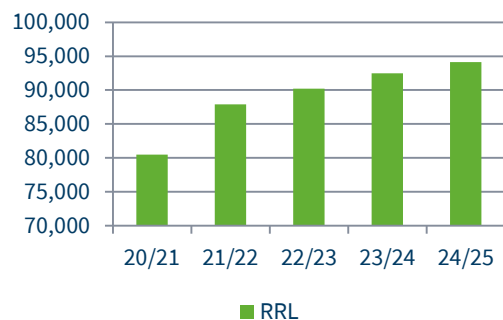
52. In October 2018, the Scottish Government published its Health and Social Care Medium Term Financial Framework. The Framework is supported by financial modelling and highlights the necessity for not only additional investment but continued reform of the Health and Social Care system. It is anticipated 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.

53. The Board’s Financial Plan incorporates key issues identified in the framework which impact NHS 24 in terms of their mental health hub and Primary Care Triage programmes, a part of their wider Change Portfolio.

54. It was confirmed that NHS 24 would be required to repay outstanding brokerage. The Scottish Government has confirmed funding to support mental health service redesign, GP triage and advanced clinical support will be made available on a recurring basis from 2020/21 onwards.

55. Under the revised financial framework, all NHS Boards are required to submit a three-year financial plan. Where Boards have a brokerage arrangement, a five-year plan is required.

Exhibit 3: Forecast Revenue Resource Limit (£’000s)



Source: 2019/20 Operational Plan

56. NHS 24’s three-year financial plan shows a breakeven position year on year for the first three years of the plan. From 2021/22, NHS 24 will move into a recurring surplus position with the intention that this would be used to support strategic priorities. However, following the additional financial challenges and priorities caused by the

Financial projections and efficiencies



COVID-19 pandemic this will be revisited and revised appropriately.

57. A frequent query raised by the Audit and Risk Committee relates to the older IT and software used by NHS 24, as the servers originally installed have not been updated in a long period of time. Within the financial plan, we have identified there is clear financial consideration surrounding the associated ICT costs and financial implications of renewing IT software and servers. The IT software and servers require significant investment due to lack of investment in renewing these in prior financial periods. This is key to NHS 24’s ability to continue to deliver services on a long term basis

Key assumptions and risks in the Operational Plan

58. The key high level assumptions used by NHS 24 for 2020/21 are as follows:

Exhibit 4: Key financial assumptions

	2020/21 uplift (%)
Revenue growth	3
Pay uplift (for those earning £80,000 or less)	4.5
Savings for all departments – Pay	3
Savings for all departments – Non -Pay	2

59. In addition to the above financial assumptions, the plan also assumes:

- The 3% revenue growth was based upon the SG budget letter received for 2020/21 followed by 2% per annum;
- Pay costs are based upon the Agenda for Change, which is 4.5% for NHS 24 for the prevailing financial year, where in prior years this was 3%;
- Service delivery budgets are to increase to deliver the improvements to the 111 service model over the next two years;
- Technology Refresh provision to be established; and
- Additional capital funding required for the move from premises at GJNH.

60. The assumptions underpin the operational plan and include an assessment of risk. From our review of

the SPRA there has been appropriate scenario planning to understand the implications of movements in the assumptions.

61. The achievement of efficiency savings plans has also been identified as moderate risk in delivery of the financial plan. NHS 24 has consistently met savings targets in recent financial years however identifying future savings for the next five years will be challenging with approximately £1.8million annual saving required each year.

Capital Programme

62. Moving forward into 2020/21, NHS 24 will be vacating the Golden Jubilee National Hospital. 450 employees are expected to be relocated as a result. As such, NHS 24 have submitted a business case to SGHSCD for additional capital resource for the relocation. NHS 24 has identified two potential suitable sites for the relocation.

63. Thereafter, the capital resource limit is expected to reduce to £0.269million. In 2022/23 NHS 24 will have to consider whether to renew the lease on the Cardonald premises they currently occupy, this has been built into the current financial plans at a cost of £3.4million. NHS 24 will also need to consider the impact of IFRS 16 from these property leases.

Mobilisation Plan

64. Following the COVID-19 pandemic, all health boards were tasked with creating a template mobilisation plan to accurately record and communicate the additional costs of COVID-19 to help build towards a recovery plan.

65. Following assurances from the Scottish Government Health Department Director of Finance, all additional costs of COVID-19 highlighted in the mobilisation plans will be covered.

66. The mobilisation plan identifies specific costs associated with COVID-19 on a line by line basis – for example, the increased cost of additional employees. Towards the end of March 2020, NHS 24 engaged in a large recruitment drive to meet the significant increase in demand for services. NHS 24 was traditionally an out of hours service, however as a result of COVID-19 there was a large increase in the number of calls received during the daytime.

67. All additional employee costs relating directly to COVID-19 pandemic have been included in the mobilisation plan. We traced this to a specific set budget to ensure NHS 24 were appropriately resourcing the demand, but also reporting it to the government.



68. NHS 24 has an internal tracker which captures the key actions taken by NHS 24 during the response to the pandemic, and the costs of such actions.
69. As well as the additional costs of COVID-19, there are off-setting cost savings in other areas. The strategy costs relating to Primary Care Triage and Advanced Clinical Support are not expected to reach the level of pre-COVID-19, allowing costs to be diverted to specific services.
70. Moving forward the mobilisation and remobilisation plans and associated costs will continue to be reviewed and updated, based upon scientific advice and the potential implications this could have on demand for services.



5. Financial management

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



NHS 24 has effective arrangements in place for financial management and the use of resources.

The Board met its key financial targets in the year delivering an underspend against its revenue resource limit and a breakeven position against its capital resource limit.

NHS 24 did not deliver all planned savings recurrently in the year.



Financial performance

71. All Boards have to work within the resource limits and cash requirements set by the Scottish Government.
72. NHS 24 achieved a saving against its RRL of £98,000. This surplus is in line with the breakeven position outlined within the 2019/20 Operational Plan.

Exhibit 6: Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000	Target achieved?
Core revenue resource limit	70,501	70,404	97	Yes
Non-core revenue resource limit	493	492	1	Yes
Capital resource limit	401	401	-	Yes
Cash requirement	71,509	71,509	-	Yes

Delivering financial balance

73. The 2019/20 Operational Plan outlined an expected breakeven position which NHS 24 has been able to achieve. However, this required careful financial management throughout the year with significant underspends in some areas being offset by overspends in others.

Mid-year Strategic Planning Resource Allocation ('SPRA') Review

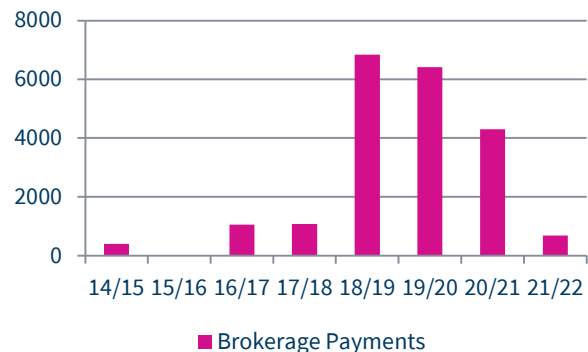
74. The Board performed a mid-year review which included consideration of both NHS 24 specific and national challenges, risks and opportunities.
75. As part of this review, the Board were asked to consider a number of amendments to the original budget. These options were presented in the context of outstanding brokerage payments and delivery of the National Boards' savings target. This resulted in the Board opting to make additional brokerage payments and increase the national savings contributions.

Additional brokerage payments were made

76. The 2019/20 financial plan set out a target brokerage payment of £5.037million. The Board were able to make additional brokerage repayments during the financial year resulting in a total brokerage repayment of £6.415million, paying an extra £1.378m ahead of schedule. This left an outstanding balance of brokerage of £4.98 million to be paid over the two-year period to 2021/22. Exhibit

7 shows both actual payments made and the payment plan for future repayments.

Exhibit 7: Analysis of past and future brokerage repayments (£'000s)



Source: Annual report and accounts 2019/20 Operational Plan

Efficiency savings

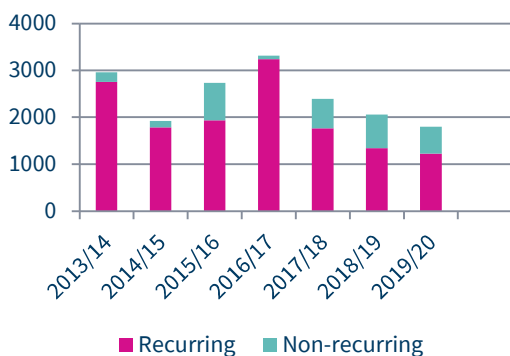
NHS 24 experienced challenges in delivering savings on a recurring basis

77. NHS 24's 2019/20 Operational Plan outlined a requirement to deliver £1.8 million of savings, being the amount required to ensure the Board reported a breakeven position. In addition, NHS 24 intended to contribute £0.35m towards the National Boards Collaborative savings target of £15m. Ultimately NHS 24 contributed £0.55m to the national savings contributions.



78. The majority of NHS 24's savings were delivered recurrently through reductions in front line costs. Non-recurring savings represented 32% of savings achieved through a 3% reduction to all non-clinical budgets, excluding technology contracts.
79. During 2017/18, the National Health Boards collaborated to identify ways to standardise and share services in order to reduce operational costs by £15million which could be reinvested in frontline services. NHS 24 contributed £0.550million to the National Boards Collaborative savings target of £15million during 2019/20.
80. The amount of recurring savings achieved, as a percentage of total savings, has increased in 2019/20 by 3%. Exhibit 8 outlines how NHS 24 is reliant on a proportion of non-recurring savings.

Exhibit 8: Historical analysis of savings achieved (£'000s)



Source: NHS 24 local delivery and operational plans

81. In the past three years we have seen a steady increase in the amount of non-recurring savings required to meet efficiency savings targets. Exhibit 8 above details the trend of savings targets and the composition of savings types.
82. Reliance on non-recurring savings places additional pressures on the future financial position of the Board and will therefore require careful management.

Capital programme was delivered in full

83. NHS 24 broke even against their CRL set in 2019/20. The majority of capital expenditure for the Board was in relation to IT equipment and estates. The most significant area of expenditure was an IT application upgrade and estates re-configuration work to the Norseman House location.

Budget monitoring and control

84. NHS 24 presents financial monitoring reports to all meetings of the Planning and Performance

Committee and Executive Management Team. Regular updates are also presented to the Board.

85. Reports presented tend to be at a strategic level but do provide an outline of each Directorate's financial performance including sufficient explanations for any significant variances.
86. Financial monitoring reports now also include a summary of the NHS Scotland position to provide additional context to the financial challenges facing NHS 24.
87. In line with the mobilisation plan following COVID-19, NHS 24 identified and implemented specific COVID-19 cost centre codes to accurately track the additional costs/savings associated with the pandemic response, in which the reporting of such costs was incorporated into the COVID-19 governance arrangements (further discussed at Governance and Transparency section).

Prevention and detection of fraud and irregularity

88. Our audit was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. We found NHS 24's arrangements for the prevention and detection of fraud and other irregularities to be adequate.
89. Regular updates are presented to the Audit and Risk Committee at each meeting through Corporate Governance Activity reports. This includes a fraud prevention update encompassing Counter Fraud Services Intelligence Alerts and whistleblowing.

National fraud initiative

90. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
91. Participating bodies were required to submit data in October 2018 and received matches for investigation in January 2019. Investigation work was complete by 30 September 2019 and the results recorded on the NFI system.
92. We reviewed NHS 24's participation in the NFI scheme in February 2020 following our planning meeting, including an assessment of progress in addressing identified matches. We are satisfied that NHS 24 has taken a reasonable and proportionate approach to investigating matches and can confirm that the exercise was completed in line with the September 2019 deadline.



93. To date, results of the NFI investigation have not identified any frauds, errors or other such observations and based on our review, we have concluded that NFI arrangements are satisfactory.

Fraud in Procurement

94. As part of our wider scope work identified by Audit Scotland, we focused part of our work on NHS 24's counter-fraud and anti-corruption within procurement.
95. NHS 24 subscribes to the 'triple tracking' as set out in the Scottish Governments strategy to combat all forms of fraud in NHS Scotland. All new employees, existing employees and board members have fraud awareness in their induction/training updates.
96. There is a Procurement Handbook in place at NHS 24 following direction and guidance from the Golden Jubilee Procurement Note. This details the roles and responsibilities of all involved within the procurement journey. The expertise and guidance is currently outsourced from a territorial board and Scottish Public Procurement regulations are applicable and followed.

Composition of finance team

97. The Director of Finance and Performance left post on secondment in March 2020 resulting in a significant loss of experience, skills and knowledge working within the Board. The post has subsequently been filled on an interim basis, since May 2020, with the 12 month secondment of a senior finance officer from NHS Greater Glasgow & Clyde.

Systems of internal control

98. We have evaluated the Board's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included documenting the key internal financial controls and performing walkthroughs to confirm that they are operating as intended.
99. While we did not identify any material weaknesses in the Board's accounting and internal control systems during our final audit we have included in appendix 2 an action plan reflecting points for improvement.
100. Grant Thornton carried out an internal audit of financial controls in December 2019. The report highlighted significant assurance overall, with a few low level recommendations which was noted by the Audit and Risk Committee.

101. In light of the COVID-19 pandemic, NHS 24 reviewed their internal controls in relation to financial processes and procedures. Workstream leads have been asked to provide further information on items of expenditure charged to the Pandemic cost centre code.

102. There are clear instructions for the steps to be followed, but for any additional costs that exceed £5k the "COVID-19 additional resource template must be completed and submitted prior to authorisation.

103. Instructions were also issued to each budget holder and workstream lead in reporting employee associated costs. Following the recruitment drive for new employees, costs associated with specific roles due to increased demand due to COVID-19 are to be charged to the appropriate cost centre code.

104. NHS 24 were clear in their instructions to internal departments and reported on such additional costs in their mobilisation plan.

Internal audit

105. An effective internal audit service is an important element of NHS 24's governance arrangements. NHS 24's internal audit provider was Grant Thornton in 2019/20. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of NHS 24's audit resource.



6. Governance and transparency

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



NHS 24 has appropriate governance arrangements in place.

Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.

During 2019/20, NHS 24 commissioned and implemented temporary governance arrangements to oversee and co-ordinate the response to the COVID-19 pandemic



Governance arrangements

106. The following changes in governance arrangements were noted within NHS 24 over the financial year:

- Margo McGurk, Director of Finance and Performance, left her post on secondment effective from 31 March 2020, and Eddie Docherty, Director of Nursing and Care, left his post effective 31 January 2020.
- John Gebbie, on a secondment basis, and Maria Docherty have taken up the replacement roles respectively within the financial year 2020/21.
- David Miller left the post of Director of Workforce on secondment to join Scottish Government and was replaced by Dorothy Wright on an interim basis in April 2020.
- Dr Martin Cheyne took up the role of the Chair to the Board on 01 January 2020, following Esther Robertson leaving post on 31 September 2019. During the interim period of 3 months the vice chair, Madeline Smith, was interim Chair.

COVID-19 Governance Arrangements

107. Following the implementation of lockdown and the inability to meet face to face, the Board was faced with the challenge of continuing to undertake their governance responsibilities in exceptional circumstances.
108. One of the first moves made by the Board was to update their risk register and undertake the task of identifying the additional risks COVID-19 and how these could impact on the Board's ability to continue to operate and deliver services.
109. The COVID-19 risk register identified key categories of risks which included risks to the business, staff, clinical, reputation and engagement with stakeholders. Each identified risk was noted to have accompanying mitigating actions and would be reviewed through the updated governance structure.
110. The COVID-19 pandemic resulted in NHS 24 putting in place temporary governance arrangements to respond and make rapid decisions to the increased pressures as a national health board.
111. NHS 24 implemented an incident management structure which comprised three groups: Strategic, Operational, and Tactical. Each group has a clear remit of responsibilities, regular meetings, attendees and a chair of meetings together with an overall clear organisational command structure.

The framework developed is aligned to the incident management protocol in place at NHS 24.

112. The strategic delivery group met twice weekly on a formal basis to consider strategy implications and consider the impact on future service priorities. The EMT will consider and plan the move from the current governance set up and into the 'new normal', and ensuring resource are utilised effectively throughout. Further responsibilities include organisation-wide communications for all employees, all non-executive directors, and other partners.
113. The tactical level of command meets daily to discuss and co-ordinate the employee level of implementation of the mobilisation plan. This group is expected to give clear direction, provide reporting to the Scottish Government on the mobilisation plan and provide clear direction to the operational command.
114. The operational level commands directorates to ensure managers are fully up to date and briefed with response plans and any key decisions taken. Operational tasks are to be agreed upon and undertaken to implement the mobilisation plan and maintain service delivery.
115. The above governance structures were discussed at length with an extraordinary Clinical Governance Meeting in reviewing the key decisions being made in light of the escalation of the pandemic. The papers discussed included the key decisions to support COVID-19 response (with reference to further staff capacity and capability), the clinical triage arrangements, associated aspects of social distancing and overall impact on clinician oversight.
116. The proposals were scrutinised by the committee and required formal approval, showing a clear audit trail of the decisions being made, the reasons why, and considering the potential impact of decisions.

Contribution to National COVID-19 response

117. As a national health board, NHS 24 plays a critical role in delivery of supporting all of Scotland and providing the necessary service to aid the national response to the COVID-19 pandemic.
118. NHS 24, along with all health boards were required to submit weekly returns to the Scottish Government of their Local mobilisation plan, which is now a monthly requirement following the SG phased approach to move out of lockdown.



119. NHS 24 produced in line with other Health Boards across Scotland. a remobilisation and continuation plan to identify how NHS 24 can contribute to and support the wider re-mobilisation of health and care services across Scotland.
120. NHS 24 set out clear principles they wanted to achieve in their support for Scotland which included:
- Continuing to operate within the domain of primary care 24/7;
 - Providing a resilient and sustainable service across the health and care system;
 - Continuing to deliver key services such as 111, Breathing Space, Living Life and Scottish Emergency Dental Service;
 - Continue to aspire to become an integrated system provider of health care and wider care system.
121. The remobilisation plan was identified as part of the National Board response from COVID-19 and around key themes which considered the services that NHS 24 provide, how they provide those services, and how they can contribute to the national response.
122. Within each area, NHS 24 has identified what their key focus should be, a summary of current efforts and proposed activity over the coming three months. NHS 24 has a clear list of actions relating to each of their primary responsibilities as an organisation, but also as a partner organisation in the response to COVID-19.
123. Case example – One of the key services NHS 24 provide is the 111 service. NHS 24 determined that the focus had to be on sustaining a high performing service to not only cope with the out of hours demand, but the additional demand during ‘working hours’.
124. NHS 24 took the steps to redeploy business as usual employees, as well as a recruitment drive during the pandemic to increase capacity to match the increased demand in calls. NHS 24 also obtained skilled and senior clinical staff from partner organisations to ensure calls could be answered on a timely basis and that the clinical expertise was also available.
125. As part of the initial response to the Coronavirus (COVID-19) pandemic NHS 24 established a National non-clinical Coronavirus Helpline. This further reconfiguration of services helped to free up NHS 24 infrastructure, resource and expertise by outsourcing the Helpline to a third-party provider, Ascensos.
126. NHS 24 will continue to use the additional resource to meet higher demand levels. NHS 24 are planning to undertake an in-depth review of the current demand to understand and identify any demand patterns to appropriately redeploy employees as necessary, and ensure levels of service are not impacted.

Impact of EU withdrawal

127. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:
- Workforce
 - Funding
 - Regulation
128. NHS 24 has continued to work to assess the overall impact EU Withdrawal may have on each of the above key areas. NHS 24 has been able to demonstrate clear consideration of each of the above areas. This has included a review of the NHS 24 workforce and supply chains
129. NHS 24 has also recognised that there could be the potential for indirect workforce challenges in the medium to longer term as a result of a reduction in available clinical staff nationally, but overall any impact is expected to be insignificant. This is retained in the corporate risk register and was reported on to the Board in February 2020.
130. NHS 24 plans to re-engage with the Scottish Government following in developing any revised positioning on EU withdrawal following post COVID-19 planning assumptions.

Blueprint for good governance

131. In January 2019, the Scottish Government published the Blueprint for Good Governance. The document draws on best practice to ensure all boards assess and develop their corporate governance systems.
132. NHS 24 approved a Board and Governance Committee Strategic Planning Cycle and Annual Work plan 2019/20 in line with the Blueprint for Good Governance in February 2019.
133. NHS Boards were asked to conduct a self-assessment against the areas outlined within the



document. NHS 24 conducted the self-assessment in March 2019 with the results being reported to the Board in April 2019. In addition to being able to demonstrate continuous improvement, the Board has identified a number of specific actions which have been identified in the strategic planning process for 2019/20.

134. Through our minute review of Board meetings, we have evidenced clear discussion of integrated strategic planning with financial plans, workforce plans and service performance reports. NHS 24 reviewed their overall strategic plan 2017-22 in summer 2019.

Disclosure of Interests

135. All NHS Boards are required to have a Register of Interests in place, and these are typically published on the Board's website. We obtained the NHS 24 register of interests and verified it was the most up to date version, and all appropriate directors, non-executive directors and senior management input their declaration of interests.

Standards of conduct

136. In our opinion, the Board's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial instructions, and scheme of delegation and for complying with national and local codes of conduct. We have also considered compliance with the regulatory guidance that is produced by the SGHSCD throughout the year.



7. Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Board's own reporting of its performance.



NHS 24 has demonstrated developing performance against new KPI's

137. NHS 24 reported against 19 targets in 2019/20. In previous years queries had been raised into the validity of the KPI's in place and these were updated in 2019/20. We have analysed the performance against target as those which are:

- meeting target;
- marginally below target (less than 5% below target); and
- below target (more than 5% below target).

138. Our analysis shows an average performance in general with 54% of targets being met or exceeded. 15% were marginally below target and a further 31% below target. This represents a slight decrease in performance compared to prior year percentages as illustrated in exhibit 9.

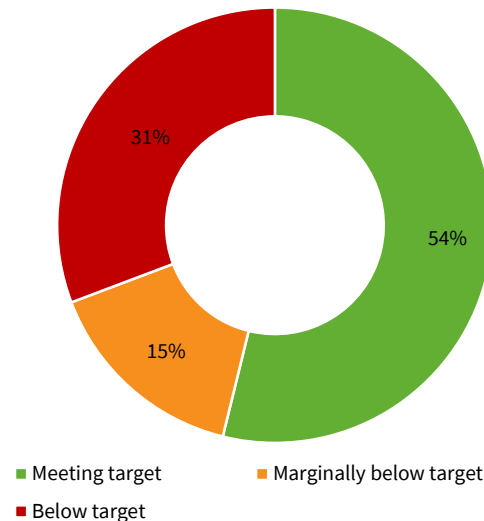
139. However, we noted in 2019/20 that NHS 24, in consultation with Scottish Government, amended the KPI's to be more representative of actual performance. The primary performance indicator is recognised to be first point of contact, rather than primarily focussing upon call answer time.

140. The timeliness of answering calls against the current target level continues to present challenges to NHS 24:

- 41.2% of calls were answered, on average within 30 seconds (2018/19: 54.92%). This is significantly below the average annual target of 70%. It is important to note however that throughout the full year all clinical performance targets were consistently met in full or exceeded. A key reason the performance declined further towards the end of the financial year related to the increase in demand of the service following COVID-19. This has since been addressed with the recruitment drive for call handlers and additional clinical support employees. Whilst the speed of answering calls into the service is important, the positioning of the access target as a measure of the overall effectiveness of the 111 service has been the subject of review between NHS 24 and the Scottish Government.
- 72.4% of breathing space calls, on average were answered within 30 seconds (2018/19: 67.6%). The target performance agreed with Scottish Government is an average of 80% within 30 seconds across the year. NHS 24 has failed to achieve this for three successive years mainly as a result of increased volumes

of calls into the service. As mentioned in above sections, there will be continued investment into the mental health services offered and noting an increase, NHS 24 expects to continue to improve performance in this area.

Exhibit 9: Performance against target in 2019/20



Source: NHS 24 Annual report and accounts

141. Performance in 2019/20 slightly decreased against prior years.

Source: Annual report and accounts

142. While NHS 24 has not been able to improve the number of performance indicators where target has been met, performance against prior year has either been maintained or improved upon for over 50% of targets.

143. Four indicators have been identified as showing performance categorised as more than 5% below target:

- Calls answered on average within 30 seconds for access service level (Para 140);
- Average time to answer calls within an average of 1 minute 30 seconds. This issue is synonymous with the above, and the spike in calls following the COVID-19 pandemic greatly reduced performance in quarter 4.
- Calls abandoned after threshold breached as a percentage. Again, this directly rates to increase in demand following COVID-19.
- Staff attendance rates are below target – target set of 94.75% with 2019/20 actual results of 90.8%.



144. Improvement actions and targets for the four above indicators have been identified. Within the most recent performance report NHS 24 set clear actions and assigned responsibility for how to plan to improve upon the targets not currently being met.
145. Following the COVID-19 pandemic, NHS 24 also considered the impact this would likely have on their performance and incorporated further narrative in their performance reporting mechanisms. This was two-fold, in the current service quality reporting mechanism and the weekly reports and meetings held with the EMT (Executive Management Team).
146. The recruitment of additional employees in April 2020 elevated the importance of staff attendance, given this was a poor performance area. In recent months, performance has improved from a Red rating to an Amber rating.
147. From the 30 March 2020 the Mental Health pathway became available 7 evenings a week and NHS 24 have continued the ongoing recruitment process to deliver the service 24/7 from 15 July 2020.

Service transformation initiatives

148. During 2019/20, significant progress has been made in delivering key initiatives as part of the Change Portfolio Programme. These initiatives are integrated with national policy and frameworks and are generally focused on service redesign to enhance the quality and provision of care.
149. These initiatives demonstrate a focus on improving patient pathways, experience, and quality of care. Each programme within the portfolio is currently being delivered in collaboration with both national and territorial health boards alongside health and social partnerships where appropriate. There are further initiatives within the change portfolio to improve the overall service to both users and non-users of NHS 24 services and to support the wider healthcare system and internal transformation.
150. Progressing the strategy forward, NHS 24 will continue to develop their co-operation with partner organisations, continue to develop the mental health services offered, Primary Care triage, the internal focus on development of digital progression and overall service model.
151. The Scottish Government had previously committed £5m to help support the strategic priorities for NHS 24. NHS 24 developed implementation of technology and digital strategies as a platform for infrastructure to deliver their services, Primary Care Triage, improve mental health services and has

continued to plan and align to the financial budget moving forward.

Mental health

152. The Mental Health Hub was created and launched in March 2019. In March 2019 the service was operational for part of the week in the evenings. This increased to being operational 4 evenings a week in February 2020. The service became operational for part of the week, and moved to operating 24/7 in July 2020. This is proving to be very effective in channelling callers directly to a service specifically designed to respond to those experiencing mental health distress.
153. Online self-help resources for Mental Health have been significantly enhanced during 2019/20. The Breathing Space service introduced a webchat channel to improve access to the service. This has allowed for a greater access to the service overall, especially amongst the 16-35 age group according to performance results.
154. The outreach to wider communities was further advanced by enhanced online and digital mental health resources. These included self-help guides, advice and signposting on NHS inform, roll out of CCBT (Computerised Cognitive Behavioural Therapy) and testing of internet enabled CBT for people in rural communities.
155. NHS 24 provides regular performance reporting on aspects of the mental health service provided. Regular indicators of performance included effectiveness of 111 calls specifically for mental health cases, answer time for the Breathing Space service, and the Living Life service being patient referral and ability to deliver the CBT support.



8. Appendices



Appendix 1: Respective responsibilities of the Board and the Auditor

Responsibility for the preparation of the annual report and accounts

It is the responsibility of the Board and the Chief Executive, as Accountable Officer, to prepare financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder.

In preparing the annual report and accounts, the Board and the Chief Executive, as Accountable Officer are required to:

- apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Board will continue to operate; and
- ensure the regularity of expenditure and income.

Board members are also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual report and accounts and give an opinion on whether:

- they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM;
- they have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers;
- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.



We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts and the part of the Remuneration and Staff Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

Wider scope of audit

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 financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

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.

Confirmation of independence

We confirm that we have complied with the FRC's Ethical Standard 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 the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



Appendix 2: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring immediate attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.



Current year action plan

Action plan point	Issue & Recommendation	Management Comments
<p>1. Contracts of Employment</p> <p>Rating</p> <p>Grade 2</p>	<p>Issue Employee costs are a large area of expenditure within the NHS 24 accounts for the financial year. During our testing of employee costs, we also test to verify the existence of employees that had a contract of employment at any point during the financial year.</p> <p>We identified 5 employees where we could not obtain a signed contract of employment. Our discussion with finance and HR contacts within NHS 24 identified these related to older contracts following changes to HR systems.</p> <p>For those employees we could not identify, we received supplementary evidence to verify their existence.</p> <p>Risk There is a risk that without a signed copy of the contract of employment/variation to contract we cannot verify employee existence. This would be an indicator of potential fraud.</p> <p>Recommendation NHS 24 should ensure moving forward all employees have signed contracts of employment on file.</p>	<p>We are introducing Job Train for all vacancies and as part of that process all candidates will have their contract of employment sent to them electronically before they start to be signed by them. An electronic copy of the contract and their signed approval will be on their e – personnel file and will introduce a process of ensuring that the candidate has signed before starting the job.</p> <p>Responsible officer: Interim Director Workforce</p> <p>Implementation date: September 2020</p>



Follow up of prior year recommendations

Of the four recommendations raised within our 2018/19 annual audit report, we note that three have been implemented and one has been partially implemented. Details are given below.

1. Unbalanced Journal

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Observation</p> <p>Data analysis performed as part of journal testing identified two journal postings, being the week 16 pay transaction, which appeared to be unbalanced or one-sided. The transactions had both been posted by an NHS National Services Scotland (NSS) user.</p> <p>Investigation found that the journal had been incorrectly posted to a job code not present on NHS 24's ledger but present on the NSS ledger. NSS users have access to their own ledger alongside other Board's including NHS 24. Communication with the National Systems Team, who manages the NSI eFinancials system, confirmed that the system would not reject a journal if one Board's cost centre was used and another Board's job code used.</p> <p>This means that rather than the transaction being unbalanced, NHS 24 could only view one side due to system permissions. We were able to confirm that these transactions had been appropriately posted and corrected.</p> <p>NSS provided NHS 24 with a formal response to the issues including confirmation that NSS Treasury staff have been reminded of the importance of using accurate job codes.</p> <p>Recommendation</p> <p>NHS 24 should work with NSS and the National Systems Team to confirm if changes could be made to current permissions to enable NHS 24 to be able to view all ledger transactions.</p>	<p>The exposure is limited to a few NSS staff who have access to both ledgers. The error was spotted and corrected by the controls NSS have in place to reconcile. The risk is a consequence of how the finance system has been configured at a national level. If the transaction record has an element that the user's security access does not have permission to view, then the whole transaction is excluded from what the user can view.</p> <p>There are two obvious ways to nullify this risk:</p> <ol style="list-style-type: none"> 1. NSS grants NHS24 access to NSS job codes. 2. An added restriction is placed that would bar the posting of a NSS job code and NHS 24 cost centre. Discussions will need to take place with NSS and the National Systems Team to decide what is the best course of action. <p>Responsible officer: Deputy Director of Finance</p> <p>Implementation date: September 2019</p>
Current status	Audit update	Management response
Complete	NHS 24 received confirmation via NSS on changes implemented to the ledger system which we received at our interim audit via the Deputy Director of Finance.	N/A, Complete.



2. IT Infrastructure

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Observation</p> <p>During our audit we noted that a number of the Board's PPE and Intangible assets had been fully written down but are still in use. This is an issue in respect of the Board's IT assets.</p> <p>As these assets are still in use it would appear unreasonable for them to be fully depreciated and would suggest that the estimated useful life applied is inaccurate.</p> <p>Recommendation</p> <p>We would encourage the Board to review its asset register and write off any assets no longer in use and re-assess the useful life of those assets still in use but fully depreciated.</p>	<p>Assets with a zero net book value will be assessed in light of the technology refresh to see if it would be appropriate to amend the useful economic lives.</p> <p>Action owner: Deputy Director of Finance</p> <p>Due date: March 2020</p>

Current status	Audit update	Management response
Partially Complete	<p>The Deputy Director of Finance informed us that the policy update for software and the intangible/IT assets has been delayed in year. NHS 24 has a number of older software assets, and has short term software contracts in place. A review of all software will be undertaken in December/January 2020/2021 to consider the renewal of such assets.</p>	<p>NHS24 will continue to assess the situation through the financial year in line with update provided.</p>

3. User Access

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Observation</p> <p>While NHS 24 formally monitors their own staff's access to the financial ledger, E-financials on a 6-monthly basis, they are not aware of how NHS National Services Scotland (NSS) monitors access of their staff who have access to NHS 24's ledger. Testing over journals identified that there had been a significant increase in the number of NSS users posting to NHS 24's financial ledger.</p> <p>We further noted that during 2019/20, NHS 24 had not performed a review of users for the purchase ordering system, PECOS.</p> <p>Recommendation</p>	<p>NSS have controls in place regarding user access to E-financials.</p> <p>NHS 24 has visibility of which user posted to the NHS24 ledger for every transaction through E-financials. Reviews of user access will be incorporated into the customer care meetings between NSS and NHS 24 at least twice a year.</p> <p>For PECOS, NHS 24 maintains a scheme of delegation that includes Finance sign off before a user can be added to PECOS. Periodic reviews, at least twice a year, will be conducted by managers and Finance to ensure access remains appropriate.</p> <p>Action owner:</p>



We would encourage NHS 24 to seek confirmation from NHS NSS that user access to NHS 24's ledger is monitored on a regular basis in order for NHS 24 to be able to promptly identify any unexpected or unusual transaction postings.

We recommend that NHS 24 introduce a regular review of PECOS users to ensure access remains appropriate.

Deputy Director of Finance

Due date:

September 2019

Current Status	Audit update	Management response
Complete	Control now in place to review user access with NSS.	N/A, Complete.

4. Asset Tagging

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Observation</p> <p>We noted that the Board have not tagged all NHS 24 assets with unique numbers to ensure they can be readily identified and tracked.</p> <p>Recommendation</p> <p>We would encourage NHS 24 to tag all assets with a unique asset number which is recorded on both the physical asset and the asset management system.</p>	<p>NHS 24 will consider the process for asset tagging now that recruitment is underway within the facilities team. The location of assets in plant rooms and under floors require the involvement of facilities and IT</p> <p>Responsible officer: Deputy Director of Finance</p> <p>Implementation date: March 2020</p>

Current Status	Audit update	Management response
Complete	We discussed with this point with the estates manager and were provided with the update of the asset tagging exercise. In our fixed asset physical verification testing, we confirmed the sample of fixed assets tested had an appropriate and clear asset tag.	N/A, complete

