



NHS 24

External Audit Annual Plan 2020/21

February 2021



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Introduction



Introduction

1. This document summarises the work plan for our 2020/21 external audit of NHS 24.
2. The core elements of our work include:
 - an audit of, and provision of a specific audit opinion on, the 2020/21 annual report and account;
 - consideration and reporting on NHS 24's arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency, and value for money;
 - monitoring NHS 24's participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Azets Audit Services as external auditor of NHS 24 for the six-year period 2016/17 to 2021/22¹. This document summarises the audit plan for 2020/21 and includes:
 - The responsibilities of Azets Audit Services 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 Azets Audit Services and the audit management team.

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 to Parliament on their financial health and performance.

Auditor 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 complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we are independent and our objectivity is not compromised in any way.

¹ In October 2020, the Auditor General extended our audit appointment for one year through to the audit of

the 2021/22 financial year to provide continuity and stability in the current challenging environment.

8. We set out in Appendix 2 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 NHS 24 promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. 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 any member of your audit team.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Respective responsibilities of the auditor and NHS 24



Respective responsibilities of the auditor and NHS 24

Auditor responsibilities

Code of Audit Practice

12. 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

13. 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 statement and when discharging their wider scope responsibilities (paragraph 15). These are to:

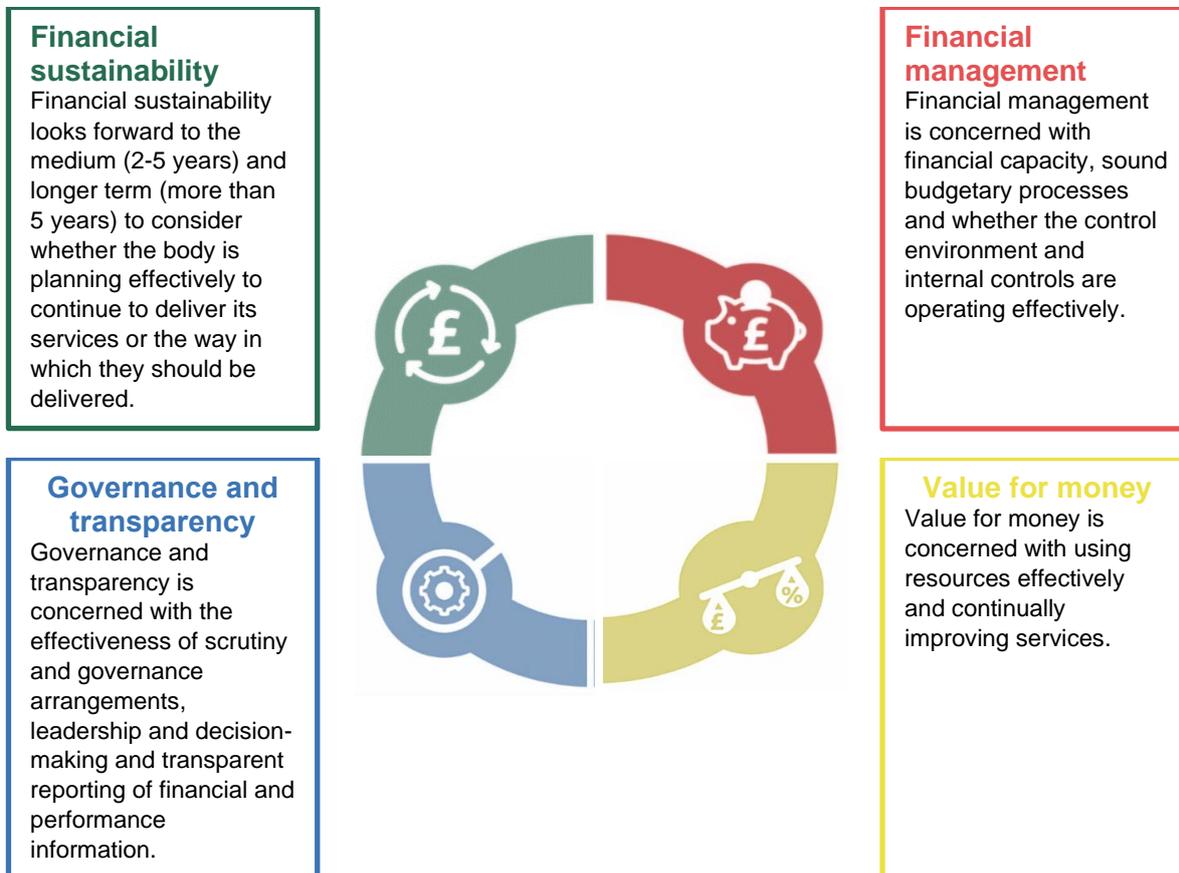
- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
- review and report on, as appropriate, other information such as annual governance statements, 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.

14. 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

15. 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.
16. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

Exhibit 1: Audit dimensions within the Code of Audit Practice



17. Our assessment takes into account the size, nature and risks of the organisation. On this basis, we have concluded that application of the full wider scope is appropriate at NHS 24.

NHS 24 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 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 its financial position and its 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>NHS 24 is responsible for ensuring that financial affairs are conducted in a proper manner. Management is 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>NHS 24 is responsible for establishing 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 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>NHS 24 has 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>

Audit strategy

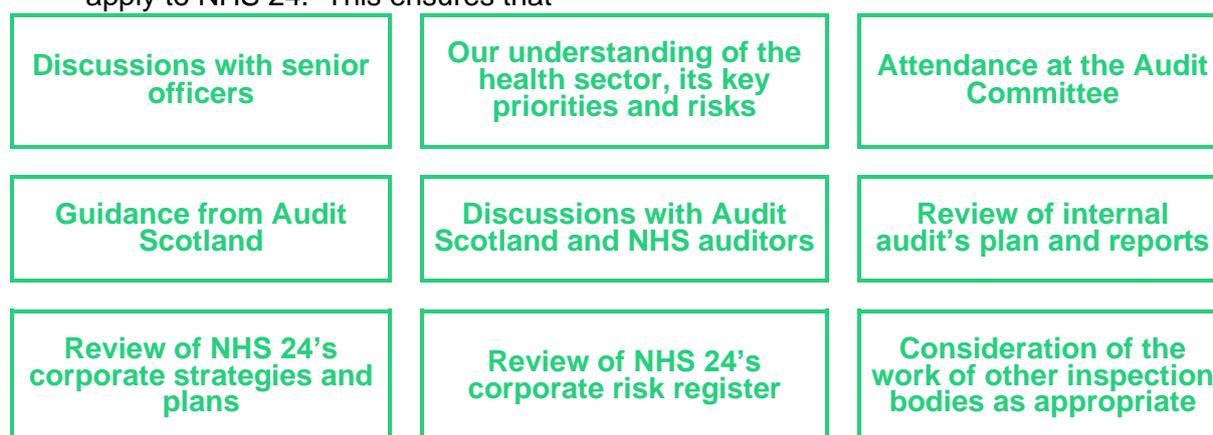


Audit strategy

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:



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.

Standard on Quality Control 1 (UK), the Ethical Standard, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

Communication 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 Committee.

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 with the public sector.

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

Audit Scotland

24. Although we are independent of Audit Scotland and are responsible for forming our own views and opinion, 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 also consider 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 or provide information to support the assessment of the impact of specified published performance audit reports.

appropriate division of work and sharing audit findings. NHS 24 uses the National Single Instance (NSI) e-financials service (financial ledger services hosted by NHS Ayrshire and Arran). We will take cognisance of NHS service auditor reports as part of our audit of NHS 24.

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

Annual report and accounts



Annual report and accounts

Introduction

29. NHS 24's annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of NHS 24's annual accounts.
30. The annual accounts of NHS 24 comprise the financial statements, the performance report and the accountability report.
35. We will take cognisance of any relevant internal audit reviews of systems and controls.
36. 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.

Approach to audit of the financial statements

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

Risk-based audit planning

32. 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

33. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
34. 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.

A final audit of the financial statements

37. 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.
38. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the Government Financial Reporting Manual (FRoM) and the Accounts Direction issued by Scottish Ministers.
39. 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.

Changes to auditing standards

40. Changes were made to auditing standards in December 2019 as part of a suite of measures implemented by the Financial Reporting Council to improve public confidence and trust in audit. Areas affected include the procedures we undertake to document and justify our assessment of the reasonableness of management's accounting estimates and the application of going concern.

41. Our assessment of the risk of material misstatement, as outlined below, considered the inherent and control risk associated with accounting estimates and the going concern assessment.

Independent auditor's report

42. 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 accounts.
43. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

Materiality

44. 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 our audit.
45. 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 group 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.

46. Performance materiality 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.

	Materiality £000
Overall materiality: Our initial assessment at planning is based on 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 financial statements when assessing financial performance.	1,584
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	1,188
47. We will report any misstatements identified through our audit that fall into one of the following categories:	
<ul style="list-style-type: none"> • All material corrected misstatements; • Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and • Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds. 	

Key audit risks in the financial statements

- | | |
|--|---|
| <p>48. 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</p> | <p>assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit Committee if our assessment changes significantly during the audit.</p> |
|--|---|

Exhibit 3 – Key audit risks in the financial statements

Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the 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*.

49. In response to this risk we will review NHS 24's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, asset valuations, provisions and arrears.

Revenue recognition

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

50. We consider, in respect of NHS 24's revenue resource allocation (RRL), the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate this revenue stream.

Risk of fraud in the recognition of expenditure

Practice Note 10 - *The Audit of Public Sector Financial Statements* 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.

51. In response to this risk we will evaluate the significant expenditure streams (excluding payroll which is not deemed 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.

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.

52. 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.

Key estimates - provisions

Changes to ISA 540 *Auditing Accounting Estimates and Related Disclosures* which is applicable for accounting periods beginning on or after 15 December 2019 places increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit. The valuation of provisions have been designated as a significant risk.

53. We will review NHS 24's valuations of provisions and other estimates and their underlying assumptions to ensure these are reasonable.

The performance report, accountability report and other information

54. The HM Treasury Government Financial Reporting Manual 2020/21 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:

Other information

55. "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.
56. 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 performance report

57. 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
 - a detailed summary of how the entity measures its performance.
58. 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.

59. 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.

60. 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.

Wider scope audit



Wider scope audit

Introduction

61. 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
62. 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. Audit Scotland has highlighted that the risk profile of public bodies for 2020/21 audits is significantly affected by the COVID-19 pandemic, highlighting the following wider scope risk areas which we will consider during our audit as they relate to NHS 24:
- Appropriateness of revised governance arrangements in response to the pandemic, including services delivered by, or in partnership with, others;
 - Risk that performance reporting does not meet users' needs;
 - Management of the financial impact of the pandemic;
 - Appropriateness of risk management processes in response to the pandemic;
- Risk of fraud and error as the control environment and internal controls change; and
 - Risk of fraud in procurement function
63. 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).
64. 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. Exhibit 5 summarises our audit work in respect of each dimension.

Exhibit 4 – Wider scope significant risk

Financial sustainability

NHS 24 paid an additional £1.378 million of brokerage against their intended budget in 2019/20. Brokerage repayments, totalled £6.415 million for the entire financial year. At 31 March 2020, NHS 24's brokerage balance to be repaid to the Scottish Government totalled £4 million. Further brokerage repayments are due in 2020/21 with NHS 24 planning to make final brokerage repayments in 2021/22.

For 2020/21, NHS 24 is required to identify efficiency savings of £2.7m. Savings targets were factored into each Directorate's budget for the year on a non-recurring basis. There is a risk that not all planned budget savings will be delivered due to the impact of the Covid-19 pandemic.

65. During our audit we will continue to 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.

Exhibit 5 - Our audit approach to the wider scope audit dimensions



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	Our audit approach
<p>In 2019/20 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 2020/21. We reviewed NHS 24’s outturn position as part of our 2019/20 work on financial management and the financial statements. NHS 24 reported a small surplus in 2019/20 and made brokerage payments in excess of the required amount.</p> <p>An Annual Operational Plan is in place for 2020/21 along with a financial plan covering the three years from 2020/21. NHS 24 has forecast a breakeven position across each of the three years. This is dependent on the realisation of a savings plan which NHS 24 has already recognised will be challenging over the coming years due to a number of financial pressures.</p> <p>NHS 24 continues to work collaboratively with the National Health Boards to identify ways to collectively standardise and share services with a target to reduce the operating costs by £15m to be reinvested in frontline NHS Scotland priorities. The intention is to deliver the savings target through targeting real change in the way support services are delivered. The focus is on four key work streams; HR, procurement, finance and estates.</p>	<p>During our 2020/21 audit we will update our assessment of NHS 24’s financial standing. This will involve a review of the arrangements in place for developing short, medium and long term financially sustainable plans that continue to support the delivery of NHS 24’s statutory functions and strategic objectives, budgetary control and financial reporting.</p> <p>Our work will also consider the impact that the Scottish Government’s Medium Term Financial Strategy and Health and Social Care Medium Term Financial Framework has had on NHS 24 and the ongoing work with other national health Boards</p>



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 2019/20 we concluded that NHS 24 had satisfactory arrangements in place for financial planning over the medium term and made further improvements to their Strategic Planning and Resource Allocation ('SPRA') process. NHS 24 however experienced challenges in delivering savings on a recurring basis.

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.

Our audit approach

During our 2020/21 audit we will review, conclude and report on the following:

- How NHS 24 has assured itself that its financial capacity and skills are appropriate;
- Whether NHS 24 can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether NHS 24 has arrangements in place to ensure systems of internal control are operating effectively;
- Whether NHS 24 has established appropriate and effective arrangements for the prevention and detection of fraud and corruption, with particular focus on fraud and corruption in the procurement function; and
- NHS 24's participation and progress in the National Fraud Initiative.



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

NHS 24 meetings are open to the public and all papers are published on the website.

In 2019/20 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 2019/20 we noted the temporary governance arrangements to oversee and co-ordinate the response to the Covid-19 pandemic.

Our audit approach

During the audit we will review the effectiveness of NHS 24's governance framework and consider whether the temporary governance measures implemented as a result of Covid-19 were appropriate.

Our work will include consideration of how risk management has been addressed within NHS 24. We will also consider NHS 24's internal audit arrangements to determine their role in examining the control systems established by management.



Value for money

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

Consideration

In 2019/20 we reported that NHS 24 met 54% of performance targets, 15% were marginally below target and a further 31% below target. In previous years queries had been raised into the validity of KPIs in place and these were updated in 2019/20 and we noted the emended KPIs to be more representative of actual performance.

The COVID-19 pandemic is expected to have a substantial impact on performance measures, particularly for services which are operating at a reduced level, been temporarily suspended or have adapted to new ways of working. We will satisfy ourselves that performance reporting in this context is timely, reliable, balanced, transparent and appropriate to users needs to support robust scrutiny and effective decision making.

NHS 24's 2017-22 Strategy highlights the unique opportunity of NHS 24'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 strategy forward and will continue to develop their co-operation with partner organisations, continue to develop the mental health services offered, the internal focus on development of digital progression and overall service model. There has been a shift in focus during the 2020/21 financial year from Primary Care triage to the Resign of Urgent Care and dealing with the Covid-19 pandemic.

Our audit approach

We will work with NHS 24 to identify and review evidence which demonstrates the achievement of value for money in the use of its resources clearly against their annual operating plan.

We will monitor and report on the continued development and robustness of NHS 24's revised performance management framework, through the introduction of additional fit for purpose performance indicators

Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. We will work with Audit Scotland during the year to understand the outputs from this work and identify any particular reports that NHS 24 may have a direct interest in.

Audit outputs, timetables and fees



Audit outputs, timetable and fee

Audit outputs

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2020/21.	February 2021
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	June 2021
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 2021

- 66. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
 - 67. 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.
 - 68. 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,
 - 69. 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.
 - 70. The fee for NHS 24 reflects the risks in relation to the repayment of brokerage together with the increasing responsibilities being taken on by NHS
- 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.

Audit fee

24 and can be broken down as follows:

	2019/20	2020/21
Auditor remuneration	£46,850	£47,890
Pooled costs	£4,900	£5,360
Contribution to Audit Scotland costs	£2,470	£2,460
Total fee	£54,220	£55,710

71. 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

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

- JAN 21** ● Planning meeting to inform the 2020/21 audit
- FEB 21** ● Presentation of External Audit Plan to the Audit and Assurance Committee
- FEB 21** ● Interim planning audit visit including a review of accounting systems and wider scope audit dimensions.
- APR 21** ● Final audit visit begins
- JUN 21** ● Presentation of our Annual Report on the Audit to the Audit Committee

Appendices



Appendix 1: Azets

On 7 September 2020, the CogitalGroup of companies (Scott-Moncrieff, Campbell Dallas, Baldwins and Wilkins Kennedy) came together as Azets. Whilst it is a new name, we still deliver the same personal approach to accounting, tax, audit, advisory and business services, digitally and locally.

We work hard, recruiting bright people who genuinely enjoy solving client's problems.

With over 6,500 advisers and specialists across our office network, we help people and organisations of all shapes and sizes save time, work smarter and achieve their goals. Our job is to give you the support you need so you can focus on what you do best.

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.



Nick Bennett

Audit Partner

nick.bennett@azets.co.uk

Nick has over 20 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards.

Nick's experience and expertise is acknowledged by both clients and other professionals right across the public sector.

Nick will be your appointed Engagement Lead.



Holl Maciver

Manager

holly.maciver@azets.co.uk

Holly has over six years' external audit experience. Holly is one of our managers responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers and will be your appointed Audit Manager and will work alongside Nick to deliver the audit engagement.

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.

In particular, the FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Azets has not been appointed by NHS 24 to provide any non-audit services during the year.

We confirm that we comply with 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 Azets 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 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 Ethical Standard. 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 Azets.

Annual report and financial statements

We will require the annual report and financial statements 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 in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

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.

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. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

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.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if he knows or suspects that any person has engaged in money laundering or terrorist financing.

We require NHS 24 to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of

Chartered Accountants in England and Wales and the Code of Audit Practice.

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 in England and Wales.

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 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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