



NHS 24

2020/21 Annual Audit Report to the Board and the Auditor General for Scotland

June 2021



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Key messages

This report concludes our audit of NHS 24 for 2020/21.

This section summarises the key findings and conclusions from our audit.

Annual report and accounts	<p>All key financial targets were met in 2020/21. NHS 24 achieved an underspend against its revenue resource limit of £0.014 million and a breakeven position against its capital resource limit of £1.236 million.</p> <p>The annual report and accounts are due to be approved by the Board on 17 June 2021. We intend to report within our independent auditor's report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.</p> <p>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.</p>
 Financial Sustainability	<p>NHS 24 is forecasting a breakeven position for the next year and have fully paid off their brokerage payments, earlier than previously anticipated, which will help support strategic priorities.</p> <p>Funding of pay and associated costs is identified as a high risk to NHS 24's ability to achieve its financial target in 2021/22 due to the Public Sector Pay Uplifts being higher than anticipated.</p>
 Financial Management	<p>NHS 24 has effective arrangements in place for financial management and the use of resources.</p> <p>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.</p> <p>NHS 24 did not deliver all planned savings recurrently in the year.</p>
 Governance & Transparency	<p>NHS 24 has appropriate governance arrangements in place.</p> <p>Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.</p> <p>During 2020/21, NHS 24 commissioned and implemented temporary governance arrangements to oversee and co-ordinate the response to the COVID-19 pandemic.</p>
 Value for Money	<p>The Covid-19 pandemic increased the challenges faced by NHS 24 in meeting its performance targets due to a significant increase in the demand for its services. A number of targets were not achieved this year.</p> <p>The Covid-19 pandemic has been the catalyst for a national programme of redesign to manage and stream demand for urgent care and NHS 24 have a key role in this.</p>

Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence

Scope

1. 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 2020/21 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring the Board'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



Responsibilities

2. NHS 24 is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report 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 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.

3. We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

4. 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.
5. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent

and our objectivity has not been compromised in any way.

6. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

7. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board 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.

Feedback

8. 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

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

Annual report and accounts



The annual report and accounts are the board's 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 2020/21 annual report and accounts.

Annual report and accounts

Unqualified audit opinion on the annual report and accounts

The annual report and accounts for the year ended 31 March 2021 are due to be approved by the Board on 17 June 2021. 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

10. Our independent auditor's report includes:
 - An unqualified opinion on the financial statements;
 - An unqualified opinion on regularity; and
 - An unqualified opinion on other prescribed matters.
11. 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 confirms that there are no subsequent events that require amendment to the financial statements.

Key audit matters

12. The Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.
13. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

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

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*.

Noted in the 2020/21 External Audit Plan

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14. 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 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.

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 the Board 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.

Noted in the 2020/21 External Audit Plan

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15. 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.

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.

Noted in the 2020/21 External Audit Plan

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16. 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 financial statements. 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.

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.

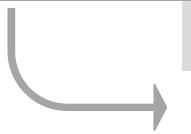
Noted in the 2020/21 External Audit Plan

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17. We have reviewed the impact of Covid-19 on NHS 24 and its ability to deliver its services. Throughout the year NHS 24 has continued to operate and to deliver its services through the pandemic. We have reviewed the impact of the pandemic on the governance which is covered in more detail in the governance section of this report.

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.

Noted in the 2020/21 External Audit Plan

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18. We have reviewed the valuations of provisions and assessed areas of management judgement. Based on the audit work performed we have gained reasonable assurance over the valuation of these provisions.

An overview of the scope of our audit

19. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in February 2021. 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.
20. 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.
21. 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 management team. In performing our work we have applied the concept of materiality, which is explained below.

Our application of materiality

22. 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.

23. 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.
24. 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.
25. Our initial assessment of materiality for the financial statements was £1.584million. On receipt of the 2020/21 draft accounts, we reassessed materiality and updated it to £1.650million. We consider that our updated assessment has remained appropriate throughout our audit.

Materiality £million
Overall materiality: Our assessment is made with reference to the Board's Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for the Board and one of the principal considerations for

	Materiality £million
the users of the financial statements when assessing financial performance.	
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	1.238

26. We noted within our External Audit Plan that we would report to the Board all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the annual accounts.

Audit differences

27. We identified no material adjustments 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. There were no unadjusted differences to the unaudited annual accounts.

Other matters identified during our audit

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

Other information in the annual report and accounts

29. "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

30. 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.
31. 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

32. 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

33. We consider the coverage of the governance statement to be in line with our expectations.
34. 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

35. 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

36. 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.
37. In our opinion 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.

Follow up of prior year recommendations

38. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 2.

Qualitative aspects of accounting practices and financial reporting

39. During the course of our audit, we considered 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 financial statements. Our audit conclusions on these qualitative aspects are as follows:

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 were 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

Qualitative aspect considered	Audit conclusion
	estimates were 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 these experts was appropriate.
The appropriateness of the going concern assumption	We reviewed the financial forecasts for 2021/22. 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 financial statements of any uncertainties, including significant risks and related disclosures that are required.	We did not identify any uncertainties, including any significant risk or required disclosures, which are not already included in the annual accounts.
The extent to which the financial statements 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 annual report or material inconsistencies with the financial statements.	The annual report contains no material misstatements or inconsistencies with the financial statements.
Any significant financial statement 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 financial statements 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.

Qualitative aspect considered	Audit conclusion
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

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 and the way in which they should be delivered.



NHS 24 is forecasting a breakeven position for the next year and have fully paid off their brokerage payments, earlier than previously anticipated. The release of funds will help support future strategic priorities.

NHS 24 has fulfilled its duty to the Scottish Government of creating a remobilisation plan and reporting regularly the increased costs associated with COVID-19.

Funding of pay and associated costs is identified as a high risk to NHS 24's ability to achieve its financial target in 2021/22 due to the Public Sector Pay Uplifts having a potential detrimental effect on NHS 24's finance plan.

Significant audit risk

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

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.

Noted in the 2020/21 External Audit Plan

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41. Our detailed findings on the Board's financial framework for achieving long term financial sustainability are set out below.

Health and social care medium term financial framework

42. 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.

43. 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.

44. During the year there has been a shift in focus from the Primary Care Triage programme to the Redesign of Urgent Care which aims to ensure patients and public can access urgent care effectively and ensure patient and staff safety is maintained during the ongoing pandemic.

Financial Plan for 2021/22

45. Prior to Covid-19, NHS 24 had been following a three-year operational plan. However, due to the financial uncertainty around the pandemic, NHS 24 have prepared a one-year financial for 2021/22 per Scottish Government guidance.

46. This is still generally in line with the operational plan but has been revisited and revised appropriately to incorporate the additional financial challenges and priorities caused by the COVID-19 pandemic. The financial plan shows a breakeven position for 2021/22 and illustrates the significant increase in costs and funding required compared to the previous operational plan.
47. The Financial Plan demonstrates that the savings are achievable and that NHS 24 are able to use funds previously identified for brokerage repayment to alleviate some of the known pressures which will be faced in 2021/22. The Plan highlights that there are a number of competing priorities for the brokerage funding, with the Plan noting that there is £4.7m of costs vying for the brokerage funding, with only £3.2m available. Therefore, NHS 24 will need to ensure there is regular communication with the Scottish Government to ensure there is sufficient funding to carry out these additional services.
48. One of the key issues which has been highlighted by the financial plan is the impact the Scottish Public Sector Pay Body Uplift will have on NHS24, with an additional £0.6m from previous iterations of the plan. This creates recurring funding gap. It is however noted that this may be offset once the full impact of the Agenda for Change is worked through.

Key assumptions and risks in the Operational Plan

49. The key high level assumptions used by NHS 24 for 2021/22 are as follows:

Exhibit 2: Key financial assumptions

	2021/22 uplift (%)
Revenue growth	1.5
Pay uplift (for those earning less than £25k)	A minimum of 3%
Pay uplift (for those earning between £25k and £80k)	1.0
Non-pay costs	1.0
Agenda for Change Pay bill	1.1

50. In addition to the above financial assumptions, the plan also assumes:
- Covid-19 funding shall be provided in line with the national template that assumed current spend would start to drop as the year progresses.
 - The Redesign of Urgent Care has been costed up on the working assumption that 75% of the self-presenters at A&E in 2021/22 would be dealt with via NHS 24 and will be reviewed with the Scottish Government throughout the year to assess the likelihood of rising to 100%; and
 - Allocations received from SGHSCD in 2020/21 will continue to be funded.
51. These assumptions underpin the financial plan which also includes an assessment of risk. From our review of the Strategic Planning Resource Allocation there has been appropriate scenario planning to understand the

implications of movements in the assumptions.

52. The achievement of efficiency savings plans has also been identified as moderate risk in delivering the financial plan. NHS 24 has consistently met savings targets in recent financial years however identifying future savings for the upcoming years will be challenging with approximately £2.2million annual saving required for 2021/22. A savings template has been produced for Directorates to complete with their recurring and non-recurring savings opportunities for 2021/22.

Capital Programme

53. Moving forward into 2021/22, NHS 24 staff will be moving out of the NHS Golden Jubilee Hospital and into new premises in Aurora House, as agreed with the Cabinet Secretary. The £1 million estates and management/supervision costs have been built into NHS 24's finance plan now that brokerage repayments have ceased.
54. This was originally assumed to be funded by SG, however in recent discussion with SG colleagues it is proposed that NHS 24 fund this through the brokerage repayment expenditure savings.
55. In future years 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 along with further capital expenditure across the estate at a total cost of £3.4million. The implementation of IFRS 16 has also been delayed and NHS 24 will also

need to consider the impact of implementing IFRS 16 on any new property leases.

56. A significant challenge which NHS 24 faced as a result of the pandemic was in relation to the social distancing. Due to the implementation of the 2-metre rule, NHS 24 had to relocate employees to the new Lightyear building to adhere to the rules. Consequently, this has contributed towards the £2.6m of Covid-19 related estate costs during 2020/21.

Interim Workforce Plan

57. An interim plan has been requested by the Scottish Government which will be based on 2021/22 and will highlight the plans in place as well as NHS 24's recovery plans for the easing of Covid-19 restrictions. This plan has been submitted to the Scottish Government, with NHS 24 awaiting feedback.
58. Following on from this plan, the intention will be for a three-year plan to be created and implemented going forward. Through review of the Interim Workforce Plan, this is in line with the guidance which was provided from the Scottish Government and we are satisfied that NHS 24 have taken the necessary steps to ensure that they have the appropriate measures in place.

Remobilisation Plan

59. Due to the on-going impact of the pandemic, the Board were required to prepare a Remobilisation Plan for the periods August 2020 to March 2021 and April 2021 to March 2022. Unlike many other boards, NHS 24 did not stop delivering any major services during the pandemic and thererfore the Board's plan focussed as much on

continuation as remobilisation but will be referred to as the remobilisation plan throughout this report. Within the Remobilisation Plan 2021/22 consideration is given to the alignment with ministerial priorities and NHS 24's response to the key challenges which will be faced.

60. NHS 24's remobilisation plan is based on the assumption that the need for on-going support during the pandemic will begin to diminish and by the second half of the year, NHS 24 will begin to see a return to a new normal but other areas are expected to see increased demand such as the significant increase in Mental Health calls and an expected increase in the Redesign of Urgent Care calls. It has been highlighted that this assumption is based on the most relevant information, which is gathered through their incident management team and information received from the Scottish Government. As noted in the remobilisation plan, the plan is a living document which will be adapted and modified as NHS 24 further evolve their medium-term planning and priorities.
61. Additionally, NHS 24 is in close communication with the Scottish Government and provide regular progress updates. We acknowledge that these are unprecedented times and therefore there is still great uncertainty as to how the pandemic will be impacted by the National Covid-19 Vaccination Programme. However, through our review of the plans and procedures in place, we are satisfied that NHS 24 has the appropriate processes in place to adapt accordingly to new information.
62. 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. As well as the additional costs of COVID-19, there are off-setting cost saving opportunities in other areas.

63. Moving forward the 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.

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

- 64. All Boards have to work within the resource limits and cash requirements set by the Scottish Government.
- 65. NHS 24 achieved a saving against its RRL of £14,000. This surplus is in line with the breakeven position outlined within the 2020/21 Operational Plan. The Board delivered an underspend of £0.098 million against its RRL in 2019/20. The £0.098 million underspend from 2019/20 was carried forward and added to the NHS 24 RRL for 2020/21, which means there was excess spend against the in-year RRL in 2020/21 of £0.84 million.

Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000	Target achieved?
Core Revenue resource limit	91,346	91,332	14	Yes
Non-Core Revenue Resource Limited	259	259	-	Yes
Capital resource limit (CRL)	1,236	1,236	-	Yes
Cash requirement	89,531	89,531	-	Yes

Delivering financial balance

- 66. The 2020/21 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.
- 67. The Board performed a mid-year review which included consideration of both NHS 24 specific and national challenges, risks and opportunities.
- 68. As part of this review, the Board identified potential risks which included £7m of anticipated allocations due to be received which if the full allocation was not received would materially impact NHS 24's financial position. They also noted the risk regarding incorrect forecasting by the Directorates if all potential costs failed to be captured. The Board were presented with various options if additional slippage was identified as

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

the year progressed, including the payback of additional brokerage and increasing the Covid-19 internal offset value on the Local Mobilisation Plan return. To ensure financial balance was achieved, this resulted in the Board opting to make additional brokerage payments.

Additional brokerage payments were made

69. The 2020/21 financial plan set out a target brokerage payment of £4.3 million. The Board were able to make an additional brokerage repayment during the financial year to bring forward the final repayment resulting in a total brokerage repayment of £4.9 million.

Efficiency savings

70. NHS 24's 2020/21 Operational Plan outlined a requirement to deliver £2.7 million of savings to ensure the Board reported a breakeven position. In addition, NHS 24 intended to contribute £0.55 million towards the National Boards Collaborative savings target of £15m. Ultimately NHS 24 successfully contributed this amount to the national savings target.
71. The majority of NHS 24's savings were delivered recurrently through reductions in front line costs. Non-recurring savings represented 37% of savings achieved through a 3% reduction to all non-clinical budgets, excluding technology contracts.

Capital programme was delivered in full

72. NHS 24 broke even against their CRL set in 2020/21. The majority of capital

expenditure for the Board was in relation to the establishment of office space at the Lumina building. There have been several capital programmes during 2020/21 in relation to future changes in the estate. In 2021, NHS 24 is moving out of the NHS Golden Jubilee Hospital and into new premises in Aurora House. In addition, to facilitate the expansion of services, NHS 24 are seeking additional premises outside the central belt. Finally, there is a requirement to either upgrade Cardonald offices or move to other premises when the renewal of the lease approaches. This forms part of the expansion of the NHS 24 and relates to the significant staffing increase which has occurred during the year and a reduction in capacity at each site of between 40-50% to incorporate safe 2m physical distancing.

Budget Monitoring and Control

73. 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.
74. 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.
75. Financial monitoring reports now also include a summary of the NHS Scotland position to provide additional context to the financial challenges facing NHS 24.
76. 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 and savings associated with the pandemic. The reporting of such costs was incorporated into the COVID-19 governance arrangements.

Systems of internal control

77. 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.
78. 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.
79. Grant Thornton carried out an internal audit of cyber security in 2020/21. The report highlighted reasonable assurance overall, with a few low level recommendations which were noted by the Audit and Risk Committee.

Internal audit

80. An effective internal audit service is an important element of NHS 24's overall governance arrangements. NHS 24's internal audit service is provided by Grant Thornton. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of the Board's total audit resource.

Prevention and detection of fraud and irregularity

81. 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.
82. 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

83. 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.
84. The most recent NFI exercise commenced in January 2021, with matches to be investigated by 30 September 2021.
85. NHS 24 are processing the information ahead of schedule and fully expect to have investigations completed within the 30 September 2021 deadline. To date, results of the NFI investigation have not yet identified any frauds, errors or other such observations and based on our review, we have concluded that NFI arrangements are satisfactory, and that NHS 24 have taken a reasonable and proportionate approach to investigating matches.

Fraud in Procurement

86. 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.
87. 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.
88. During the year the procurement process has been transferred from the NHS Golden Jubilee National Hospital to the Scottish Ambulance Service (SAS). There is a Procurement Handbook in place at NHS 24. However, it is noted that the processes followed are those of a body carrying out the procurement. As this is not undertaken by NHS 24 the Procurement Handbook does not necessarily reflect current procedures.
89. It is recommended that this is updated to reflect the changes which have occurred due to the change to SAS as well as any processes specific to NHS 24.

Composition of Finance Team

90. During the prior year the former Director of Finance and Planning left the post resulting in a significant loss of experience, skills and knowledge. However a new Director, a qualified accountant with 25 years of NHS financial experience, was appointed on a permanent basis. Moreover, a Corporate Accountant and a Head of Financial Planning and Reporting were also appointed during the financial

year 2020/21. Consequently, in comparison to the prior year, there is greater stability within the finance team due to the reduction in temporary members within the team.

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 2020/21, NHS 24 commissioned and implemented temporary governance arrangements to oversee and co-ordinate the response to the COVID-19 pandemic.

Governance and transparency

Governance arrangements

91. The following changes in the governance arrangements have occurred during the period:
- Maria Docherty took up the Director of Nursing & Care on 9 April 2020, taking over from Eddie Docherty who left during 2019/20.
 - John Gebbie moved from a Secondment Role to becoming the permanent Director of Finance during the financial year 2020/21.
 - Juliana Butler left her Non-Executive Director post in April 2020 and was replaced by Anne Gibson on 1st May 2020.
 - Graham Revie left the Employee Director on 30th September 2020 and was replaced by Kenny Woods.
 - Angiolina Foster left the post of Chief Executive on the 5th April 2021 and was replaced by Jim Miller.
94. 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. A progress report was submitted to the Scottish Government in February 2020 which detailed current progress against actions to be taken.
95. As a result of the Covid-19 pandemic NHS 24's plans for 2020/21 were changed significantly to respond to the pandemic. As detailed above, NHS 24 developed a remobilisation plan which outlined NHS 24's continued commitment to key actions from the Good Governance Improvement Model.

Blueprint for good governance

92. 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.
93. 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.

COVID-19 Governance Arrangements

96. As a result of the pandemic, the Board meetings have continued to be held virtually to ensure the safety of the individuals. Whilst these meetings have been private, there is sufficient information published on the Board's website to enable sufficient transparency for the public.
97. Throughout the financial year, the Board have regularly discussed the additional risks resulting from the Covid-19 pandemic and have added new risks to their risk register as appropriate. 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

was be reviewed through the updated governance structure.

98. In response to the COVID-19 pandemic, NHS 24 put temporary governance arrangements in place to allow rapid decisions to be made to the increased pressures as a national health board. Throughout 2020/21, NHS 24 have continued to implement an incident management team which had three areas of focus: Strategic, Operational, and Tactical. The team has a clear remit of responsibilities, regular meetings, attendees and a chair of meetings together with an overall clear organisational command structure.
99. During the year, there has been action to stand down the current Incident Management Team, with a view to transition the Covid response procedures to business as usual, and develop a broader scope of senior leadership team that will encompass Covid response amongst other aspects of operational delivery across NHS 24. Once this group has been set up, they will report to the EMT.
100. Throughout the year the proposals were scrutinised by the Incident Management Team and required formal approval, showing a clear audit trail of the decisions being made, the reasons why, and considering the potential impact of decisions.
101. An Internal Audit review was carried out in October 2020 on the Revised Governance Arrangements in response to Covid-19. The report was generally positive and provided reasonable assurance of the revised governance arrangements, concluding that the arrangements are appropriate for the circumstances and have enabled efficient and flexible decision

making while ensuring sufficient governance continues to be exercised.

Workforce planning

102. During 2020/21, a Strategic Workforce Planning Group was established to deliver a coordinated approach to workforce planning which is integrated with, and enables the delivery of, NHS 24's strategic and operational plans, providing a highly effective governance role on behalf of the Executive Management Team. The group primarily consists of Directors and Service Heads and has a wide variety of departments involved to ensure collaboration throughout the organisation.
103. The Group aim to meet bi-monthly and will look to hold two workshop sessions per annum in line with the operational planning cycle. The Strategic Workforce Planning Group provides the forum for cross organisational discussions on a range of workforce planning issues, an assurance role for the Planning and Performance function in respect of workforce planning and a governance role on behalf of the Executive Management Team. We will assess the progress and effectiveness of the Workforce Strategic Planning Group during our next audit in 2021/22.

Impact of EU Withdrawal

104. The UK formally left the European Union on 1 January 2021. The impact on NHS 24 services is deemed as low and, as part of its incident response structures are already in place, NHS 24 will continue to monitor the EU Exit transition and remain ready to address any areas of concern and support staff.

105. Through our review of the arrangements in place, we are satisfied that the appropriate considerations have been taken over the impact of Brexit.

Disclosure of Interests

106. 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, nonexecutive directors and senior management input their declaration of interests.

Standards of conduct

107. 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 schemes of delegation and for complying with national and local codes of conduct. We have also considered compliance with the regulatory guidance produced by the SGHSCD throughout the year.

Value for money

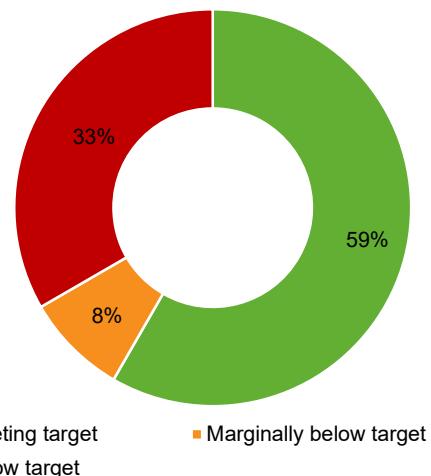
Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Board's reporting of its performance.

Performance management arrangements

108. NHS 24 monitors performance of key performance measures on a monthly basis and reports this on an ongoing basis to the Board and Planning & Performance Committee through a Corporate Performance Report. NHS 24 reported against 12 targets in 2020/21. 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).

109. Our analysis shows an average performance in general, with 59% of targets being met or exceeded. 8% were marginally below target and a further 33% below target as illustrated in Exhibit 3. This represents a slight decrease in performance compared to prior year percentages, however it should be noted that NHS 24 has been operating in extremely challenging circumstances as a result of the Covid-19 pandemic. Over the last 12 months, NHS 24 has experienced an increased need for mental health support and with the new model for urgent care, NHS 24 have experienced a substantial increase in services, with a parallel move to 24 hours a day, seven days a week from a predominately out of hours service.

Exhibit 3: Performance against target in 2020/21



Source: NHS 24 Annual report and accounts

110. The primary performance indicator is recognised to be care at the first point of contact, rather than primarily focussing upon call answer time. 91% of calls resulted in direct access to the service at the first point of contact which surpassed the target set of 75%.
111. The timeliness of answering calls against the current target level continues to present challenges to NHS 24 and this challenge was amplified due to the surge in calls as a result of the Covid-19 pandemic:
- 38.8% of calls were answered, on average within 30 seconds (2019/20: 41.2%). This is significantly below the average annual target of 50%. A key reason the performance declined further during 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.

- 49% of breathing space calls, on average were answered within 30 seconds (2019/20: 72.4%). 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 four 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.
- 112. 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;
 - Average time to answer calls within an average of 3 minutes. This issue is synonymous with the above, and the spike in calls following the COVID-19 pandemic.
 - Calls abandoned after 30 seconds. Again, this directly rates to increase in demand following COVID-19.
 - Breathing space calls answered in 30 seconds.
- 113. Improvement actions and targets for the above indicators have been

identified and are in the process of being actioned.

- 114. Staff attendance rates, excluding the impact of Covid-19 related absence, were marginally below the target of 96% however have improved since the prior year.

Responding to the COVID-19 pandemic

- 115. Demand for the services provided by NHS 24 increased significantly in comparison to prior years. NHS 24 rapidly responded to being the first line of the national COVID-19 response, which required a fundamental change to the service delivery model, shifting from a predominately out of hours service to operating 24 hours a day, 7 days a week.
- 116. 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.
- 117. In response to the pandemic, NHS 24 developed the national Covid-19 Service which provided a single point of entry for all people in Scotland, through the use of the national 111 service, and directed them to the most appropriate service. Investment of £9.5m in 2020/21 was required to provide this new 24/7 service, growth in the existing 111 service, and pressures on NHS 24's estates requirements and IT systems.

118. As part of the initial response to the 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, with onsite supervisory capacity for quality assurance and escalation provided by NHS 24 management. Up to March 2021 the service has assisted 409k contacts through both telephony and webchat.

Mental Health

119. NHS 24 have expanded their Mental Health Hub during 2020/21 as a result of Covid-19 and now provide 24-hour cover. The levels of demand have exceeded forecasted figures and NHS 24 have recruited additional staff to meet this demand. It was acknowledged that the funding for the Mental Health Hub in 2020/21 is on a non-recurring basis. However, discussion between NHS 24 and the Scottish Government Sponsor team has resulted in some of these funds being baselined in 2021/22 in light of the range of Mental Health Services NHS 24 now offer and our criticality to the Covid-19 response.”

maintained during the ongoing pandemic. The National Implementation took place on 1st December 2020, with the roll out of the urgent care pathway being regarded as successful from NHS 24's perspective.

122. NHS 24 worked collaboratively to develop this new operational model and will provide a national 24/7 single point of access through the 111 service to triage and stream demand for urgent care as part of national redesign improving access and alleviating pressure across the system.
123. This is not merely an extension of existing unscheduled care provision, but a fundamental redesign of NHS 24's operational model that will see a redistribution of activity across all its services.
124. To meet the forecasted demand of the service will take considerable expansion of the NHS 24 workforce. In addition to developing its capacity, NHS 24 will continue to develop and refine the service to optimise the pathway to enable outcomes that promote the right care in the right place at the right time with an aim of reducing attendance at A&E.

Redesign of Urgent Care

120. The Covid-19 pandemic has been the catalyst for a national programme of redesign to manage and stream demand for urgent care differently.
121. The redesign of urgent care is a whole system programme and NHS 24 is contributing towards the successful delivery. The aim of this redesign work is to ensure patients and public can access urgent care effectively and ensure patient and staff safety is

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 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 and its group's affairs as at 31 March 2021 and of the 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 2020/21 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 is consistent with the financial statements and 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 is consistent with the financial statements and 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 financial statements 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 Standards. 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 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

The recommendations are rated to help the Board assess the significance of the issues and prioritise the actions required.

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
1. Procurement procedures Rating	<p>Issue</p> <p>There is a Procurement Handbook in place at NHS 24. However, it is noted that the processes followed are those of an external body carrying out the procurement. As this is not undertaken by NHS 24 the Procurement Handbook does not necessarily reflect current procedures.</p> <p>Risk</p> <p>Without up to date policies and procedures, there is a risk that employees do not act appropriately, in line with the national approach or in the best interest of NHS 24.</p> <p>Recommendation</p> <p>It is recommended that this is updated to reflect the changes which have occurred due to the change to SAS as well as any processes specific to NHS</p>	<p>The Deputy Director of Finance will take forward the audit action and will work with the Scottish Ambulance Service Procurement team on producing our own NHS 24 Procurement Handbook.</p>
Grade 2		<p>Responsible officer: Deputy Director of Finance</p> <p>Implementation date:</p>

Follow up of prior year recommendations

Of the two recommendations included in our 2019/20 annual audit report, two are complete, as described below.

Contracts of employment

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>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</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</p>

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Initial rating	Issue & recommendation	Management comments
	<p>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</p> <p>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</p> <p>NHS 24 should ensure moving forward all employees have signed contracts of employment on file.</p>	<p>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>
Current status	Update	
Closed	Our testing did not identify any employees without a signed contract on file.	

IT infrastructure

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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>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>
Recommendation		We would encourage the Board to review its asset register and write off any assets no longer in use and reassess the useful life of those assets still in use but fully depreciated.
Current status	Update	
Complete	Our testing did not identify any assets with an inappropriate useful life.	



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