



NHS 24

Final report to the Audit and Risk Committee, the Board and the Auditor General for
Scotland on the 2022/23 audit

Issued on 15 June for the meeting on 22 June 2023

Contents

01 Final report

Partner Introduction [3](#)

Annual Report and Accounts

Quality indicators [7](#)

Our audit explained [9](#)

Significant risks [10](#)

Your control environment and findings [15](#)

Other significant findings [16](#)

Our audit report [17](#)

Your Annual Report and Accounts [18](#)

Wider scope audit

Overview [20](#)

Financial management [21](#)

Financial sustainability [24](#)

Vision, leadership and governance [27](#)

Use of resources to improve outcomes [30](#)

Best value [33](#)

Climate change [34](#)

Purpose of our report and responsibility statement [37](#)

02 Sector Developments

The future of public health report series [39](#)

03 Appendices

Action plan [41](#)

Audit adjustments [49](#)

Our other responsibilities explained [52](#)

Independence and fees [53](#)

Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Risk Committee (“the Committee”) of NHS 24 for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report agreed with the Committee in March 2023.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on the completion of our audit work, we have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of NHS 24. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

One disclosure error was noted in the auditable parts of the Remuneration and Staff Report which has been corrected by management. Otherwise, our testing has shown that the Remuneration and Staff Report has been prepared in accordance with the relevant regulation. A summary of our work on the significant risks is provided in the dashboard on page [10](#). The Board met its financial targets for 2022/23, achieving a surplus of £795,000.

No material errors have been identified. One uncorrected misstatement and two corrected misstatements in excess of our reporting threshold of £74,000 have been identified, as well as another nil impact adjustment, which are included within the Appendix to this report on page [49](#). These have no impact on the final results of NHS 24.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Our audit work is now complete.

Conclusions from wider scope audit work

- **Financial management** – NHS 24 continues to have effective budget setting and monitoring arrangements in place.
- **Financial sustainability** – NHS 24 is financially sustainable in the short-term, however it places an unsustainable reliance on non-recurring savings to achieve a balanced position in both the short and medium term. There also remains reliance on non-recurring funding to achieve a breakeven position.

NHS 24's Financial Plan could be further enhanced, with reference to best practice by expanding to a longer timescale of between 5-10 years, incorporating scenario planning, impact on service demand and linking to its corporate strategy and wider risks.

- **Vision, leadership and governance** – The Board is in the process of updating its vision and strategy, with particular focus on sustainability, equalities and continuous improvement. Leadership remains consistent during 2022/23 with a positive culture of collaboration and partnership working. The governance arrangements also continue to be robust, with a strong Audit and Risk Committee.

- **Use of resources to improve outcomes** – NHS 24 has a clear and robust performance management framework in place. It is positive to note the proposed update to the KPI Framework and increased focus on outcomes and impact. There is a clear focus on continuous improvement, however there is a need to implement a benefits realisation framework to monitor the success of any service redesign.

Performance continues to be impacted by an increasing demand for services and staff absence. It is important these aspects are considered and taken into account in future resource planning, both from a funding perspective and workforce.

Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work

- **Best value** - NHS 24 has sufficient arrangements in place to secure best value, however financial sustainability presents a key risk, with continued reliance on non-recurring funding.
- **Climate change** - It is positive to see the development of the Climate Emergency and Sustainability Programme (CESP) and associated Action Plan. NHS 24 needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target.
- **Cyber risk** - We have obtained an understanding of NHS 24's cyber risk management programme and internal controls in relating to cyber risk, as well as reviewing Internal Audit's report to the February 2023 Committee meeting. No issues have been noted.

Next steps

An agreed Action Plan is included on pages [41 to 48](#) of this report, including a follow up of progress against prior year actions.

Added value

Our aim is to add value to NHS 24 by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help NHS 24 promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our "sector developments" on page [39](#) where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the NHS.

Pat Kenny
Lead audit partner






Annual Report and Accounts Audit



Quality indicators



Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Deliverables and responses to follow ups provided promptly.	N/A
Adherence to deliverables timetable		A complete draft of the Annual Report and Accounts was not available at the start of the audit or by the revised draft deadline. All requests for supporting evidence were actioned promptly and of good quality.	N/A
Access to finance team and other key personnel		Key personnel were available throughout the audit and communication was timely.	N/A
Quality and accuracy of management accounting papers		Accounting papers were provided in relation to dilapidations and the adoption of IFRS 16. These were provided promptly and were of good quality. Our testing did not identify any significant issues.	13 16
Quality of draft Annual Report and Accounts		The first version of the Annual Report and Accounts provided was incomplete with a significant number of areas to be completed, including the Performance Report and Parliamentary Accountability Report. We noted that some notes and policies in the accounts have not been tailored and are therefore irrelevant to NHS 24.	18

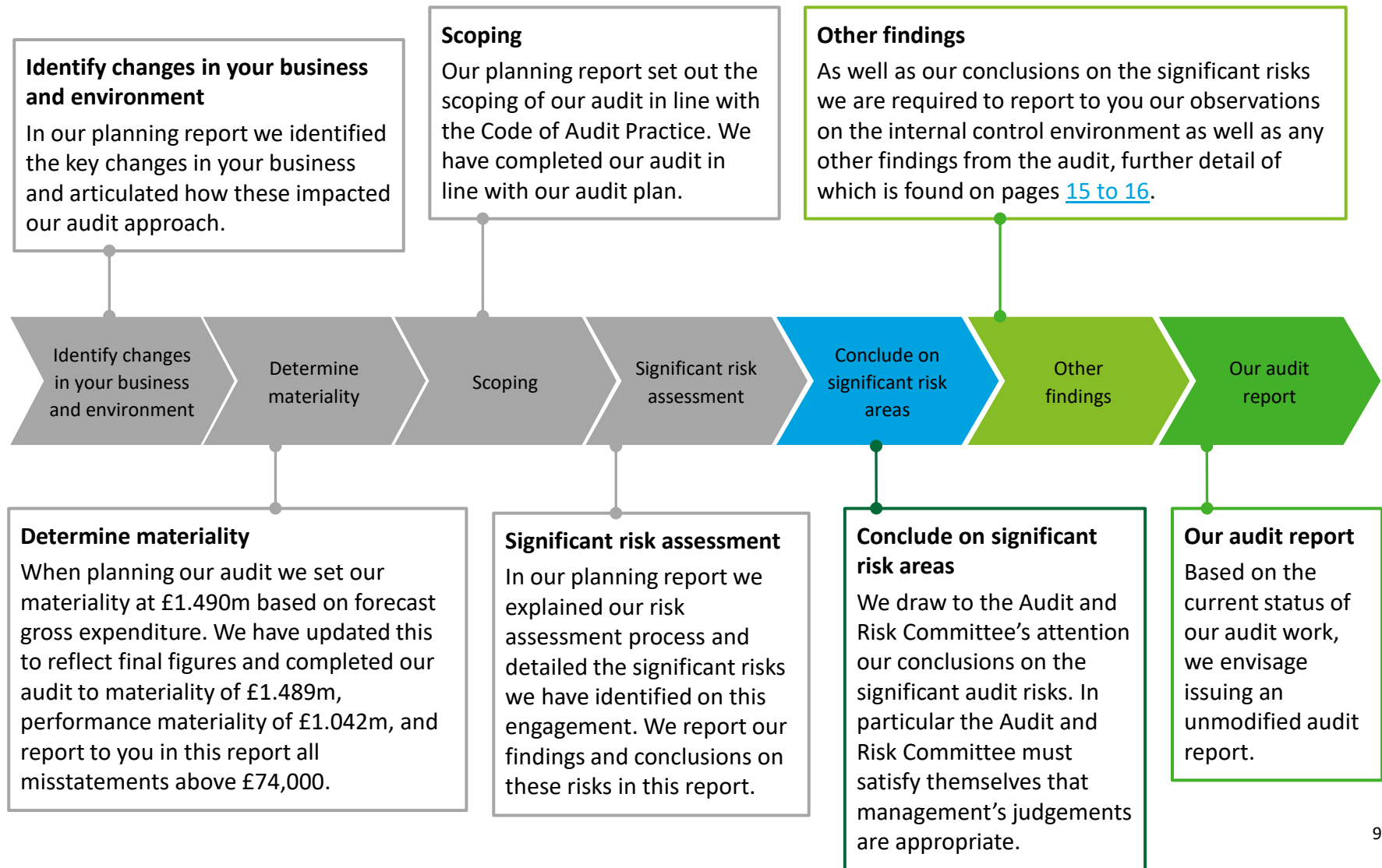
Quality indicators (continued)

Impact on the execution of our audit (continued)

Area	Grading	Reason	Further detail
Response to control deficiencies identified		One control deficiency has been identified in relation to management review of accounting estimates and one relating to classification of costs. No other deficiencies have been noted.	15
Volume and magnitude of identified errors		Three errors above our reporting threshold were identified, being a misclassification of trade payables as accruals, an understatement of accruals, and misrecognition of CNORIS income. The errors are not material and have no impact on NHS 24's final financial results. We also identified two disclosure deficiencies relating to exit packages and related party transactions. These have since been corrected by management.	49 to 50







Our audit explained

We tailor our audit to your business and your strategy



Significant risks




Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory, subject to recommendation on page 15	
Operating within the expenditure resource limit			Satisfactory	

Controls approach adopted
 Assess design & implementation

Controls conclusion
 Satisfactory
 Not Satisfactory

Consistency of judgements with Deloitte's expectations

-  Consistent
-  Improvement required
-  Inconsistent

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing. We have identified a deficiency with the control in place for reviewing estimates. This is discussed further on page [15](#).

Significant risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around expenditure recognition (see page [14](#)). This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
<p>Clinical Negligence and Other Risks Indemnity Scheme (‘CNORIS’) provision</p>	<p>NHS bodies in Scotland are responsible for meeting negligence costs up to a threshold of £25,000 per claim. Costs above this threshold are reimbursed from the CNORIS scheme by the Scottish Government.</p> <p>The provision is based on information provided to NHS 24 by the Central Legal Office (CLO) based on the information on claims and historical experience. NHS 24 provide 100% for Category three claims and 50% for all Category two claims. As at 31 March 2023, there were 21 current claims specific to NHS 24 included in the provision.</p> <p>NHS 24 also provides for its liability from participating in the scheme. This provision recognises NHS 24’s respective share of the total liability of NHS Scotland as advised by the Scottish Government, based on information from NHS Boards and the CLO.</p>	<p>We have obtained independent confirmation directly from the CLO of all outstanding claims for NHS 24 at 31 March 2023, reconciled this to the amount recognised, and challenged management’s provision policy and concluded that it is reasonable. We have conducted a subsequent events review of the provision to ensure that it is complete as at 31 March 2023 with no issues noted.</p> <p>The provision for NHS 24’s share of the national liability is calculated by the Scottish Government based on information from the CLO in relation to all Boards. We have obtained assurance from Audit Scotland on the methodology used in the preparation of these figures and the relevance and reliability of the information provided by the CLO.</p>

Significant risks (continued)

Management override of controls (continued)

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Dilapidations	As at 31 March 2023, NHS 24 has a provision of £1.477m for dilapidations, with no change to the provision carried forward from 2021/22. The value of the provision is based on information provided by Avison Young and comprises costs required to restore five of NHS 24's leased buildings to their original state.	We have assessed the use of information provided by the independent experts and confirmed the existence of the obligation to provide for dilapidations within the lease agreements. We have reviewed both confirmatory and contradictory evidence and concluded that the value provided is reasonable and that the provision has been appropriately disclosed in line with reporting requirements.

Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. However, we do not consider this to be a significant risk for NHS 24 as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk that NHS 24 could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to NHS 24 by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.




Deloitte view



We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing, we confirm that NHS 24 has performed within the limits set by Scottish Government achieving a small surplus of £795,000 and therefore is in compliance with the financial targets in the year. We identified one uncorrected misstatement above our reporting threshold relating to accruals, however we note that this has no impact on NHS 24's final financial position as discussed on page [49](#).

Your control environment and findings

Control deficiencies and areas for management focus

-  Low priority
-  Medium Priority
-  High Priority

Observation	Priority	Deloitte recommendation	Management response and remediation plan
<p><i>No evidence of management review of estimates</i></p> <p>While management confirmed that the Depute Director of Finance reviewed the management paper setting out the judgements and conclusions in relation to the dilapidations provision, no evidence was retained to confirm the detail of that review. Estimates present a higher risk of misstatement due to the level of judgement inherent in their formulation.</p>		<p>It is recommended that management maintain evidence that a review of the dilapidations provision has taken place, with sign off to demonstrate that management are satisfied that the estimates are appropriate and in line with expectations.</p>	<p>See page 46 for management response.</p>
<p><i>Misclassification of costs</i></p> <p>Through our procedures it was noted that costs had been misclassified between accruals and trade payables, and within the various categories of operating expenditure. The misclassification errors did not impact the final outturn or overall Statement of Financial Position/Statement of Comprehensive Net Expenditure.</p>		<p>It is recommended that a process for reviewing the classification of costs is put in place to ensure accurate allocation within the Annual Report and Accounts.</p>	<p>See page 46 for management response.</p>

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

NHS 24's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Our review of the initial draft Annual Report and Accounts highlighted that the accounting policies detailed, while based on the Scottish Government Accounts Manual, had not been appropriately tailored for NHS 24. The policies have since been amended and we are now satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

While not material for the financial statements, matters relating to the Remuneration Report were discussed with management during the audit given high public interest. We are satisfied that the appropriate disclosures have been included within the final version of the Annual Report and Accounts.

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, therefore 2022/23 is the first year of implementation. This required adjustments to recognise on balance sheet arrangements previously treated as operating leases.

We tested the completeness of leases identified on transition. NHS 24 has 6 leases, therefore we tested in full to assess accuracy of the Right of Use Assets and lease liabilities. One adjustment was identified by the finance team prior to the conclusion of our testing which has since been corrected. No other issues have been identified.

Liaison with internal audit

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We have obtained written representations from NHS 24 on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter was circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Report and Accounts

We have issued an unmodified audit opinion.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page [18](#).

Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines NHS 24's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by NHS 24.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes which management have updated in the revised draft. This included the requirement to report KPIs demonstrating improvement in outcomes. We also note that a number of sections in the Performance Report were not complete in the first draft provided for audit review. Management should give further consideration in future to providing prior year comparatives to figures disclosed in the Performance Report.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes which have been updated in the revised draft.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction. The Exit Packages disclosure had not been prepared in accordance with requirements. Management have corrected this in the final draft of the Annual Report and Accounts.</p>

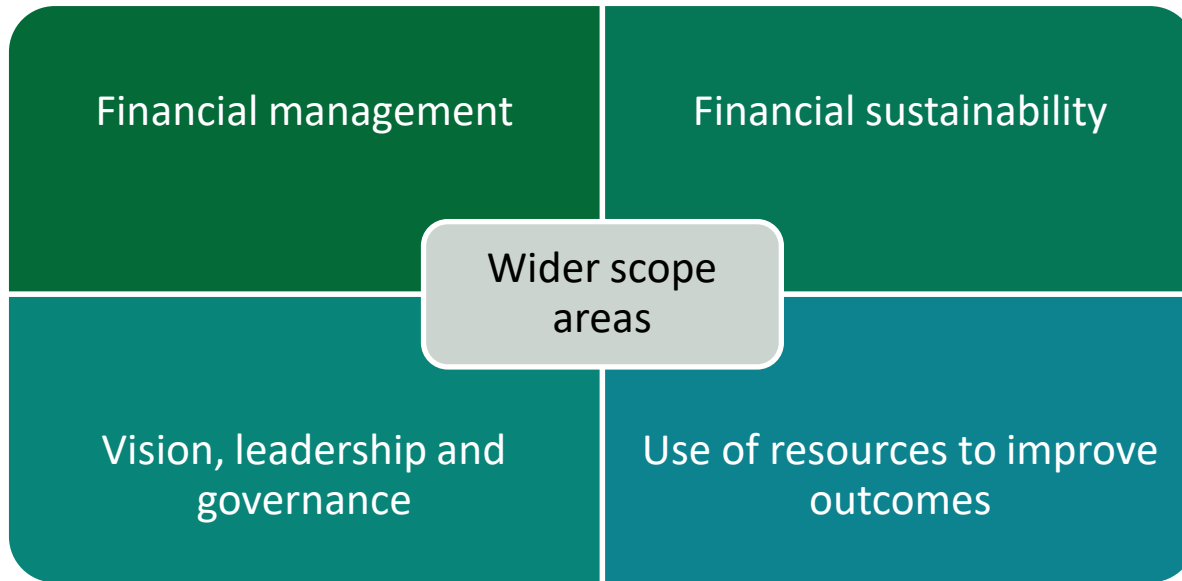
Wider scope audit



Wider scope requirements

Overview

As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



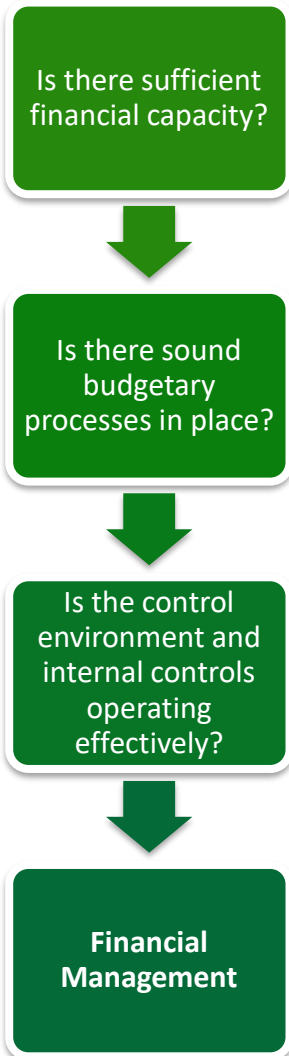
In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

Our audit work has considered how the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management



Significant risks identified in Audit Plan

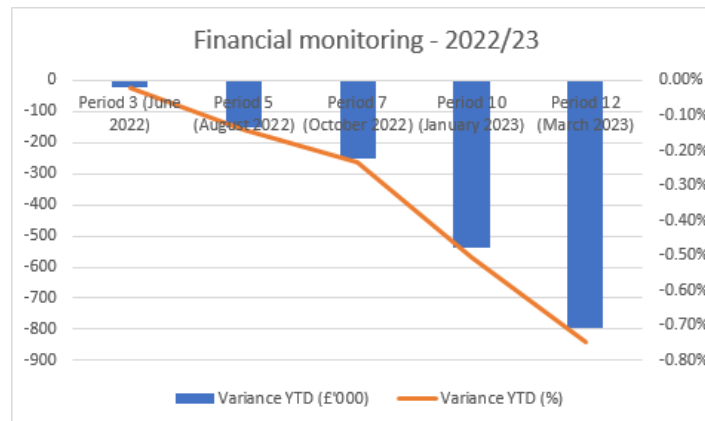
We did not identify any significant risks in relation to financial management during our planning work. We therefore restricted our audit work to reviewing the budget monitoring to the Board during the year to assess whether financial management and budget setting has continued to be effective.

Current year financial performance

The 2022/23 budget was approved by the Board on 28 April 2022. This was monitored and updated throughout the year reflecting changes in both expenditure and income. The Board budgeted net expenditure of £113 million. Following revisions during the year this was reduced to £105.785 million, with the final outturn reported of £104.990 million, i.e. an underspend of £0.795 million (0.75% of total budget).

The underspend was achieved due to the following :

- A £1.3 million underspend in pay costs, primarily due to staff vacancies across multiple pay categories, slightly offset by an overspend in agency staff; and
- An overspend in non-pay costs, £0.4 million of which relating to technology maintenance contracts as a result of significant increases in services and in particular non-recurring works relating to technology change programme.



Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

Regular reporting has been provided to the Executive Management Team (EMT), the Planning and Performance Committee (PPC) and the Board providing details on the variances and projected position. There is also a clear link between the financial information presented during the year and the final position as reported in the Annual Report and Accounts.

The approved budget included a need to make savings of £2.6 million, based on 3% of baseline funding, as summarised below. Progress against these savings is reported as part of the regular monitoring to EMT, the PPC and the Board. A balanced budget was set on a recurring basis and as noted on page [21](#), however as a result of the significant underspend in pay costs, NHS 24 did not rely on the vacancy factor for 2022/23 and created an invest to save pot discussed further on page [24](#).

	Budgeted savings (£m)	Actual savings (in-year) (£m)	Actual savings (full year affect) (£m)
Recurring	1.276	1.186	1.278
Non-recurring	1.354	1.444	1.354
Total	2.630	2.630	2.632

Finance capacity

The finance team has remained consistent throughout the year, being led by the Director of Finance and Deputy Director of Finance. We have not identified any risks with the teams capacity that would impact on the financial management of the Board.

Internal controls and internal audit

NHS 24 has comprehensive financial regulations in place, which were last reviewed and updated in December 2022.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work. The internal audit function has been provided by Grant Thornton during 2022/23. Following a tender process, Azets have been appointed as NHS 24's internal auditors from 2023/24 onwards.

The 2022/23 Internal Audit Plan was approved by the Audit and Risk Committee in June 2022 and comprised eight projects to be completed during the year. Detailed reports are provided to the Committee for each project.

Wider scope requirements (continued)

Financial management (continued)

Internal controls and internal audit (continued)

A new process was implemented during 2022/23 to provide assurance to the Committee that internal audit recommendations were being implemented on a timely manner. The most recent report to the Committee in February 2023 confirmed that out of the 16 actions being tracked, nine had been completed, five had not passed their original due date and two had not passed their revised due date.

Standards of conduct for prevention and detection of fraud and error

We have assessed the Board's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to SEPA's cyber security incident as outlined in the Audit Scotland publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the Board's arrangements to be designed and implemented appropriately.

National Fraud Initiative (NFI)

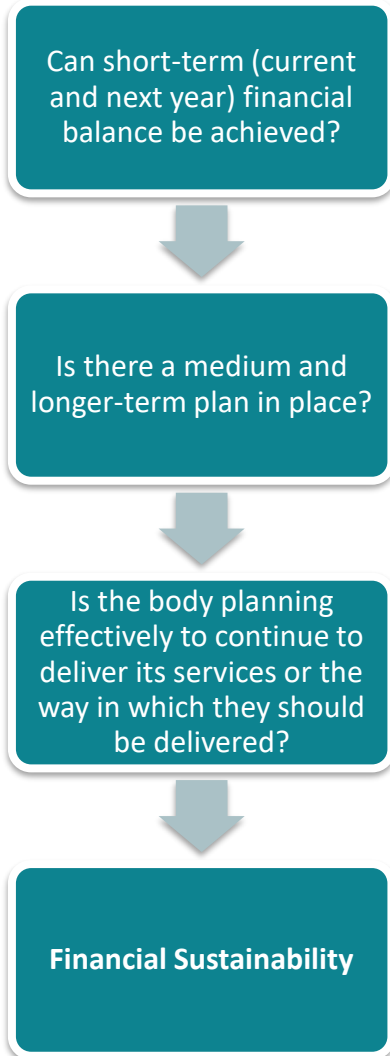
All NHS Boards are participating in the most recent NFI exercise. We have monitored NHS 24's participation and progress in the NFI exercise. A report was considered by the Audit and Risk Committee in February 2023 which confirmed that 138 matches had been identified for investigation and the Fraud Liaison Officer was in the process of investigating and planned to report back to the Committee. We concluded that NHS 24 had progressed with its review and was therefore fully engaged in the exercise.

Deloitte view – financial management

NHS 24 continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that NHS 24's medium term financial plan, covering the period 2023/24 to 2025/26, identified budget gaps over this period. As with all public sector bodies, it is becoming increasingly challenging to balance the income expected with the increasing expenditure, while continuing to provide effective services to the public. Factors such as pay costs and inflationary pressures continue to challenge NHS 24's ability to create future balanced budgets. We therefore identified that there was a significant risk that robust medium-to-long term planning arrangements were not in place to ensure that NHS 24 can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

2023/24 budget setting

The Board approved a breakeven budget for 2023/24 of £124 million in April 2023. The budget was prepared in consultation with relevant groups including EMT, the PPC and a Board workshop in March 2023. The following key highlights are noted:

- There is a gap between the anticipated funding uplift received (2%) and anticipated inflationary increases (10%).
- The Board have assumed that the Agenda for Change pay uplift will be fully funded.
- Prior to efficiencies, the plan highlighted a £2.9 million funding gap. Savings plans have been identified, £1.1 million recurring and £1.8 million non-recurring. The Board has recognised that additional savings plans require to be identified to ensure the Board gets back to recurring financial balance.
- A non-recurrent invest to save pot has been identified and will be released via EMT approval of schemes that help provide future efficiencies. If savings plans slip, this fund will be reassessed against overspends.
- NHS 24 is budgeted to breakeven, however, there is a reliance on non-recurring funding to do so.

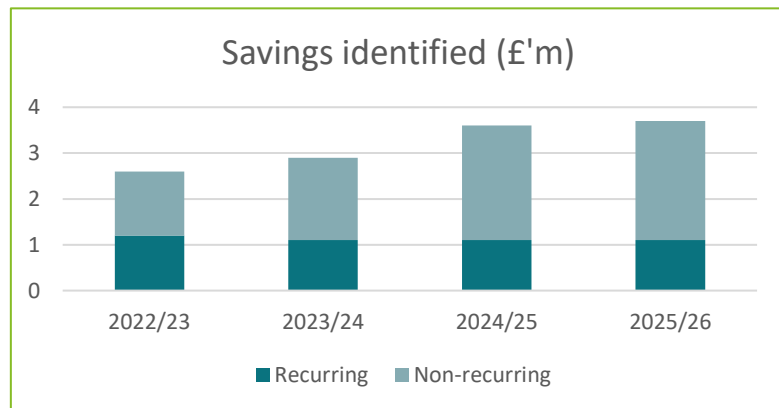
Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning

At the same time as approving the 2023/24 budget, the Board also approved the 3 year plan covering the period 2023/24 to 2025/26. This is in line with the requirements from Scottish Government for all Health Boards to provide a 3 year financial plan.

The expected savings required over the 3 year period are illustrated below, along with the actual savings achieved in 2022/23. This demonstrates that NHS 24 will require to identify and achieve an increasing level of savings on a recurring basis to achieve financial balance.



As noted on page [23](#), in 2022/23, NHS 24 has continued to be reliant on non-recurring savings, with similar levels incorporated into the 2023/24 budget as “vacancy factor” non-recurring savings based on the historical turnover of staff rather than an active delaying to posts being filled.

This reflects the reality that NHS 24 will always see a turnover of staff and builds in an element of flexibility into the budget. As noted on page [22](#) NHS 24 did not rely on the vacancy factor for 2022/23 and created an invest to save pot.

As reported by the prior year auditor in its Annual Audit Report for 2021/22, it is important to note that the Board’s strategic aims are heavily dependent on expansion plans. Therefore, placing reliance on the vacant position to provide the necessary savings indicates an expectation that the Board will not procure the necessary staff to achieve the expansion plans in the timeframe expected. There is a risk that increasing services without the necessary staffing will increase the pressures on current workforce and ultimately could result in the vacancy gap increasing.

We have reviewed and assessed NHS 24’s Financial Plan against the best practice set out in Audit Scotland’s publication “Scotland’s public finances” (June 2014), and have highlighted the following areas where the plan could be enhanced:

- The plan only covers a 3 year period. While this is in line with the Scottish Government request to all Health Boards, best practice is for a financial strategy to cover a period of between 5-10 years. As discussed further on page [27](#), NHS 24 is in the process of finalising its new Strategy and longer term financial plans should be developed to sit alongside this.

Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

- While savings options for recurrent savings are detailed in the plan, non-recurrent savings are classed as “vacancy factor” and therefore not evidence based. Management has recognised that this is unsustainable.
- While scenario planning and assessment of service demand has been undertaken as part of the Redesign of Urgent Care and Mental Health Funding, this was not included in the budget reporting to the Board. Whilst NHS 24 has made assumptions around inflation and cost increases, given the uncertainty with these, we would expect scenario planning to include a “worst”, “best” and “likely” scenario to allow the Board to manage its risks.
- There are no clear links to the corporate strategy, with the only reference being to meet the financial targets. Best practice would recommend demonstrating how the financial plan will allow NHS 24 achieve its wider objectives, e.g. linking to outcomes.
- While financial risks are highlighted, we would expect the plan to also highlight other risks to NHS 24, e.g. if expenditure increased and savings had to be achieved elsewhere to breakeven, what is the potential risk to service delivery.

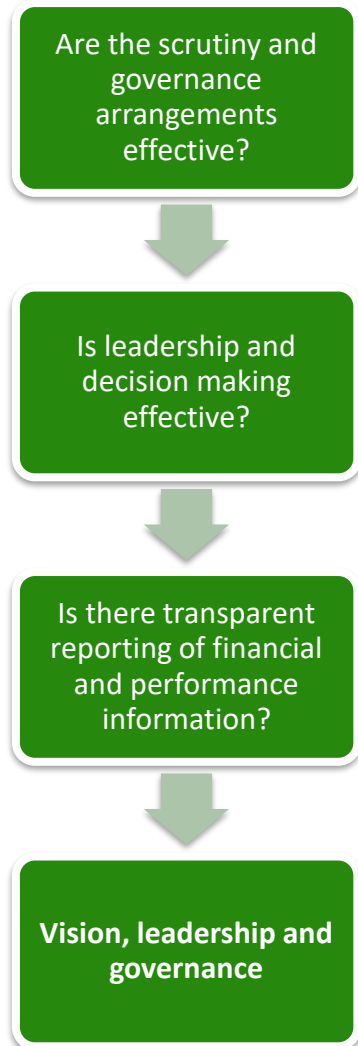
Deloitte view – Financial sustainability

NHS 24 has achieved financial balance in 2022/23 and has set a balanced budget for 2023/24, therefore is financially sustainable in the short-term. While budgets have been set to incorporate non-recurring savings based on a vacancy factor, this has not been required in recent years and instead were able to create an invest to save pot, NHS 24’s 3 year plan identifies an increasing level of savings required. While the reliance on vacancy targets as non-recurring savings reflects the reality of staff turnover and build flexibility into the budget, it is inconsistent with the longer-term plans of NHS 24. There also remains reliance on non-recurring funding to achieve a breakeven position.

NHS 24’s Financial Plan could be further enhanced, with reference to best practice by expanding to a longer timescale of between 5-10 years, incorporating scenario planning, impact on service demand and linking to its corporate strategy and wider risks. As part of the updated strategy expected to be approved in the summer of 2023, this longer term planning should be developed to sit alongside this.

Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

We did not identify any significant risks in relation to vision, leadership and governance during our planning work. We therefore restricted our audit work to reviewing the work of the Board and its Committees to assess whether the arrangements continue to operate effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.

Vision and strategy

NHS 24's last formal Strategic Plan covered the period 2017-2022. Due to the pressures and uncertainties arising from the Covid-19 pandemic, the Board adopted a "Statement of Strategic Intent" for 2022/23, as an interim plan while the full organisational strategy was developed.

The Strategic Plan for 2023-2028 has been developed during 2022/23, with final approval by the Board expected in summer 2023. The new strategy is designed to embody a sustainable, high quality health service, easily accessible to all using next generation technology to help people identify and access the right type and level of support. Key elements of the new strategy include:

- **Sustainability** – Environmental sustainability is a key focus by enabling people to access 'Right Care Right Place' and therefore reduce the need or distance required to travel to access healthcare. Equally, by developing a truly accessible omni-channel model (where people have a choice of how they engage with services on their own terms) could materially reduce the burden on territorial Health Boards (making them more sustainable).
- **Equalities** – Accessibility of NHS 24 services is a key focus, ensuring that even in an increasingly digitalised society, NHS 24 is accessible to all aspects of society. In addition, the strategy has enhanced focus on workforce equalities.
- **Continuous improvement** – While there are currently elements of continuous improvement successfully implemented within NHS 24, such as the development of the call handling process, this is not widely embedded and the new strategy recognises the need to build capacity to do this.

Wider scope requirements (continued)

Vision, leadership and governance (continued)

Community engagement

NHS Boards in Scotland have a duty to involve people when new services are being planned, or when changes to existing services are being considered, as set out in the Planning with People Scottish Government guidance.

NHS 24 involve people in the design, development and improvement of their services on the understanding that effective community engagement will help them create services that everyone can fairly benefit from. Community engagement within NHS 24 takes place as follows:

- NHS 24 Public Partnership Forum (PPF);
- NHS Youth Forum; and
- Wider community engagement through surveys, focus groups or engagement with third sector organisations linked with community engagement groups.

Significant engagement took place to guide development of the 2023-2028 Strategic Plan. As part of the ‘Gathering Views’ phase, 12 facilitated discussions took place with NHS 24 staff, surveys were completed by 165 professional stakeholders, 86 members of staff and 203 members of the public, and over 300 people attended facilitated focus groups and events, including the public, third sector and health and social care staff.

Regular updates on the development of the 2023-2028 organisational strategy are provided to the Board, and these are publicly available on the NHS 24 website.

Leadership

NHS 24 Board members and the Executive Management Team have remained consistent during 2022/23. Some non-executive Board’s members terms end during 2023/24. From our audit work, we have identified a positive culture of cooperation and working constructively in partnership.

Internal Audit carried out a review of “Leadership and Culture” during 2023/24, and is due to be reported to the Audit and Risk Committee in June 2023. The report provided “reasonable assurance with some improvement required” and highlighted the following findings:

Area considered by Internal Audit	
Whether there is a clear and consistent message of what behaviours are expected in order to create the ‘optimum’ behaviours for NHS 24, whether it is shared across NHS 24 and as a result whether culture is embedded.	2 Low rated findings and one improvement rated findings.
Whether leadership is visible, there is clear or consistent tone from the top, staff are proud or passionate about what they do.	1 medium rated finding and 1 low rated finding.

The internal audit report also identified a number of areas of good practice including workforce plan, staff engagement, values and culture training, leadership and rewards and recognition.

Wider scope requirements (continued)

Vision, leadership and governance

Governance and scrutiny arrangements

The Corporate Governance Framework was last updated in December 2022 and approved by the Audit and Risk Committee and Board. The Corporate Governance Framework was revised to be in line with the draft Blueprint for Good Governance that was issued by the Scottish Government in July 2022. The final blueprint was issued in December 2022 and NHS 24 has reviewed and confirmed there were no fundamental changes in comparison with the draft therefore minor amendments will be made to the next scheduled update in December 2023.

Internal Audit carried out a review of “Governance” during 2023/24, and was reported to the Audit and Risk Committee in February 2023. The report provided “reasonable assurance” raising three low rated findings.

The Audit and Risk Committee continues to be a key element of the governance arrangements in place. In line with good practice, the Committee carried out an annual self assessment of its effectiveness at its meeting in July 2022. Following review, an Action Plan was developed which was considered by the Committee in February 2023.

The Audit and Risk Committee also provide oversight and scrutiny of the risk management activity. An updated Strategic Risk Register was reviewed by the Committee in February 2023, with updates provided on the work being done to manage the strategic risks.

We have reviewed meetings attendance from the past year and confirm that there has been adequate attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

Transparency of reporting

All Board agendas and minutes are publicly available through its website, along with minutes of all governance committee. Members of the public are able to observe Board meetings live via Microsoft Teams, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page [31](#)).

Deloitte view – Vision, leadership and governance

The Board is in the process of updating its vision and strategy, with particular focus on sustainability, equalities and continuous improvement. There has been a good level of community engagement during this update. Leadership remains consistent during 2022/23 with a positive culture of collaboration and partnership working. The governance arrangements also continue to be robust, with a strong Audit and Risk Committee.

The Board demonstrates a number areas of good practice and continues to be open and transparent.

Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

In our audit plan we highlighted that the previous auditors noted that due to the ongoing impact of Covid-19, certain performance targets were unable to be met in 2021/22. Linked with the risks around financial sustainability, there is an increasing challenge on NHS 24 to deliver services within the funding available. We also highlighted in our audit plan that we would need to assess the risk that performance reporting has not been timely, reliable, balanced and transparent.

Performance management framework

NHS 24 has evolved its key performance indicators (KPIs) framework over the last few years to more appropriately align to the change in operational model since 2019 and the move to deliver increased care at first contact. This evolution also reflects the significant increase in demand and changing role for NHS 24 in delivering additional pathways such as redesign of urgent and mental health.

The Planning and Performance Committee considered an updated KPI Framework at its meeting in February 2023, which has still to be discussed and agreed with Scottish Government. This recognises the framework is an essential component of corporate and strategic planning and is expected to be fully aligned to the refreshed strategy discussed on page [27](#).

Regular detailed performance reporting is provided to the Board throughout the year providing a summary of key Scottish Government performance measures – covering Telephony Access, Omni Channel - Digital, Staff Wellbeing and Patient Experience. Each indicator is then supported by detailed analysis against targets and trend information.

Management and Board members have recognised that the current KPIs do not provide sufficient information on outcomes and the impact that NHS 24 services are providing. This is therefore being incorporated into the revised framework aiming to bring the experience metric to greater prominence. We recognise that this is a complex area and data systems need to be in place to be able to capture the information to measure outcomes.

Wider scope requirements (continued)

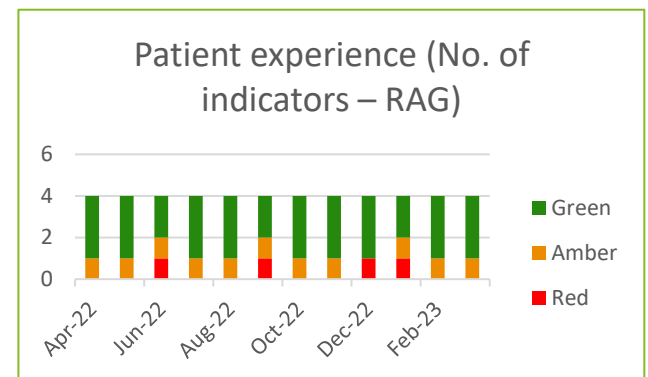
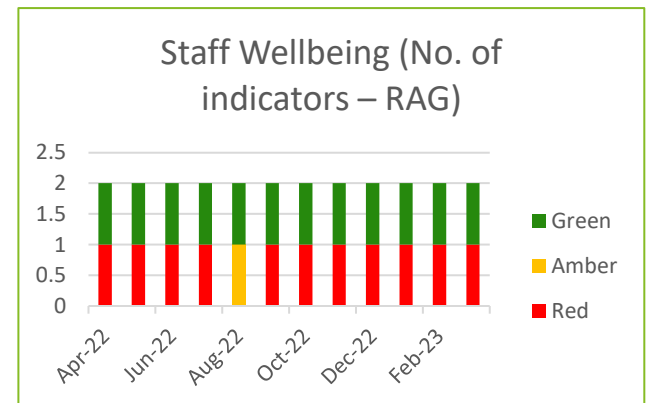
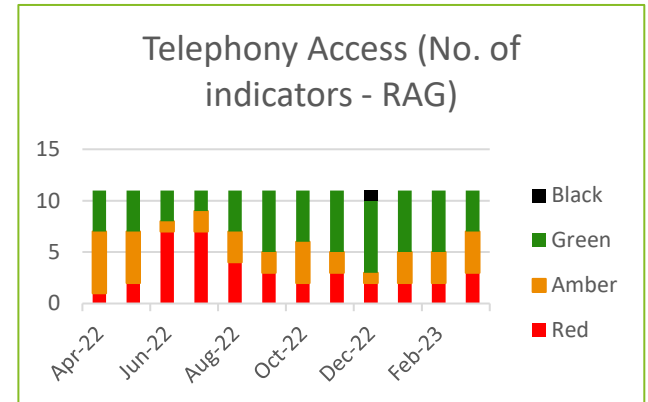
Use of resources to improve outcomes

Performance data

A summary of the performance reported to the Board during the year is provided in the graphs opposite. Key highlights are:

- Performance against **Telephony Access** targets has varied across the year, with a slight dip in March with a number classified as “amber”, i.e. marginally off target. This was due to a combination of call volume increases and an increase in sickness/unplanned absence, particularly in Nurse skillset. NHS 24 recognises that decreasing the average handle time is one of the main contributing factors in improving access and there is ongoing work aimed at improving average handling time.
- **Staff wellbeing** performance has been consistent during the year, with staff attendance continuing to miss the target of 96%. This will have an impact on NHS 24’s ability to deliver services to patients. The “i-matters” indicator has continually performed in line with targets.
- The **patient experience** indicators have been fairly consistent during the year, with the patient journey – unscheduled care indicator reporting as “amber” or “red” during the year. The March 2023 performance was 33.33 mins, which while missing the target of 30 mins, is a 4 min improvement on March 2022.

The reporting to the Board provides comprehensive analysis of the performance throughout the year. One of the key messages is that demand for services has continued to increase during 2022/23, putting additional pressure on the service. As discussed further on page [25](#), it is important that NHS 24 consider the estimated demand in its future financial plans to consider both funding and associated workforce to ensure that there is sufficient resource in place to meet this demand.



Wider scope requirements (continued)

Use of resources to improve outcomes

Continuous improvement

A key theme of the revised Corporate Strategy is one of transformation:

“It recognises the need for NHS 24 to refresh our digital capabilities, with work already underway to identify future requirements and next generation technology, providing a foundation for truly transformative change to how we deliver services and our ways of working”.

One example of where NHS 24 has changed the way services have been provided in recent years, is the recent Redesign of Urgent Care. Internal Audit carried out a review of this work, with a report presented to the Audit and Risk Committee in October 2022. The internal audit report provided “reasonable assurance” and raised one low level finding in relation to cost benefit analysis not being completed and issues not escalated which will prevent lessons being learned and improvement to programme delivery implemented timely. A number of areas of good practice were identified in the internal audit review. It is important that NHS 24 implement a benefits realisation framework to monitor the success of service redesign and whether the expected outcomes have been achieved.

It is also important that NHS 24 assess the workforce requirements in terms of both capacity and capability, to implement the new strategy. Given the current pressures on workforce as discussed on page [25](#), this remains one of the biggest risks to NHS 24 achievement its objectives.

Deloitte view – Use of resources to improve outcomes

NHS 24 has a clear and robust performance management framework in place which analyses data and tracks progress against targets. Regular reporting on performance is provided to the Board, therefore is timely, reliable, balanced and transparent. It is positive to note the proposed update to the KPI Framework and increased focus on outcomes and impact.

NHS 24 has a clear focus on continuous improvement, as evidenced within its updated Corporate Strategy. There is a need to implement a benefits realisation framework to monitor the success of any service redesign.

Performance continues to be impacted by an increasing demand for services and staff absence during 2022/23. It is important these aspects are considered and taken into account in future resource planning, both from a funding perspective and workforce.

Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Conclusions

NHS 24 has a number of arrangements in place to secure best value. As noted elsewhere within this report, the updated Corporate Strategy provides a clear vision and has specific focus on some of the BV characteristics including sustainability, fairness and equalities. There is strong leadership in place with a positive culture on collaboration.

Financial sustainability remains a key risk, as is the case across the public sector. NHS 24 has recognised the need to make recurring savings and develop KPIs to demonstrate how the services provided impact on outcomes.

Deloitte view – Best Value

NHS 24 has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk with continued reliance on non-recurring funding.

Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	NHS 24 position
1. What targets has the body set for reducing emission in its own organisation or in its local area?	NHS 24 has an overall target to become a net zero organisation by 2040. In line with NHS Scotland, it has a number of key emissions to report against and has some general targets such as using renewable heat sources for all buildings owned by NHS 24 by 2038. Work is currently ongoing to gather data on key emissions to allow NHS 24 to create realistic targets.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	NHS 24 is currently developing its Climate Emergency and Sustainability Programme (CESP) and CESP Action Plan. A full time Programme Manager has been appointed to support this development.
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly?	NHS Scotland has developed a National Sustainability Assessment Tool (NSAT) which all health boards use on an annual basis to measure their progress across 16 different areas of sustainability. In 2021/22, NHS 24's draft score was 46% (bronze) and therefore recognises that there is further work to be done.

Wider scope requirements (continued)

Climate change

Question	NHS 24 position
<p>3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly? (continued)</p>	<p>NHS 24 published its first annual Climate Emergency and Sustainability Report for 2021/22 in January 2023 which is available on the NHS 24 website.</p> <p>Clear governance arrangements are in place including:</p> <ul style="list-style-type: none"> • A Sustainability Governance Board (strategic) • A Sustainability Development Group (operational) • A Sustainability Champion from non-executive Board • A standing agenda item on SMT, EMT and Full Board agendas.
<p>4. Has the body considered the impact of climate change on its financial statements?</p>	<p>NHS 24 recognises that environmental and financial sustainability are connected and in choosing recent sites and prioritising capital investments, it has ensured energy efficiency is factored into the decision making. Management recognise that this needs to be further embedded.</p>
<p>5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?</p>	<p>Potential impact could be around Property, Plant and Equipment balances, provisions and contingencies and the budgetary implications of the CESP Action Plan.</p>
<p>6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?</p>	<p>NHS 24 has included reference to climate change within its Annual Report and Accounts for 2022/23, with particular focus on the governance arrangements in place and work being done to develop the CESP strategy and Action Plan.</p>

Deloitte view – Climate change

NHS 24 is monitoring and reporting its progress through the National Sustainability Assessment Tool and its Climate Emergency and Sustainability Report. Clear governance are also in place from SMT to Board level. While high level targets have been set, NHS 24 needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target. It is positive to see the development of the CESP and associated Action Plan and that a full time Programme Manager is in place to drive this forward. Once developed, NHS 24 should consider any potential impact on its financial statements.

Wider scope requirements (continued)

Cyber risk

Area	Management actions	Impact on NHS 24's Annual Report and Accounts	Impact on our audit
Cyber risk	<p>NHS 24 recognise cyber risk as part of its corporate risk register which is monitored by both the Planning and Performance Committee and the Audit and Risk Committee. In 2021/22 through to November 2022, NHS 24 implemented a “Connect Programme” tasked with addressing the resilience risks faced by NHS 24 due to ageing Information and Communication Technology (ICT) infrastructure.</p> <p>In 2022/23, Internal Audit carried out a review of Cyber Resilience and Recovery, which was considered by the Audit and Risk Committee in February 2023. This provided “partial assurance with improvements required”, raising 4 medium and 1 low rated finding. Management agreed a detailed Action Plan to address the points raised.</p>	<p>Reference to the Connect Programme and the review performed by Internal Audit has been incorporated into the Annual Governance Statement for 2022/23.</p>	<p>We have obtained an understanding the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity’s cyber risk management programme. Internal Audit’s report to the February 2023 Audit and Risk Committee has informed this work.</p> <p>We obtained an understanding of the relevant laws and regulations in relation to the entity.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

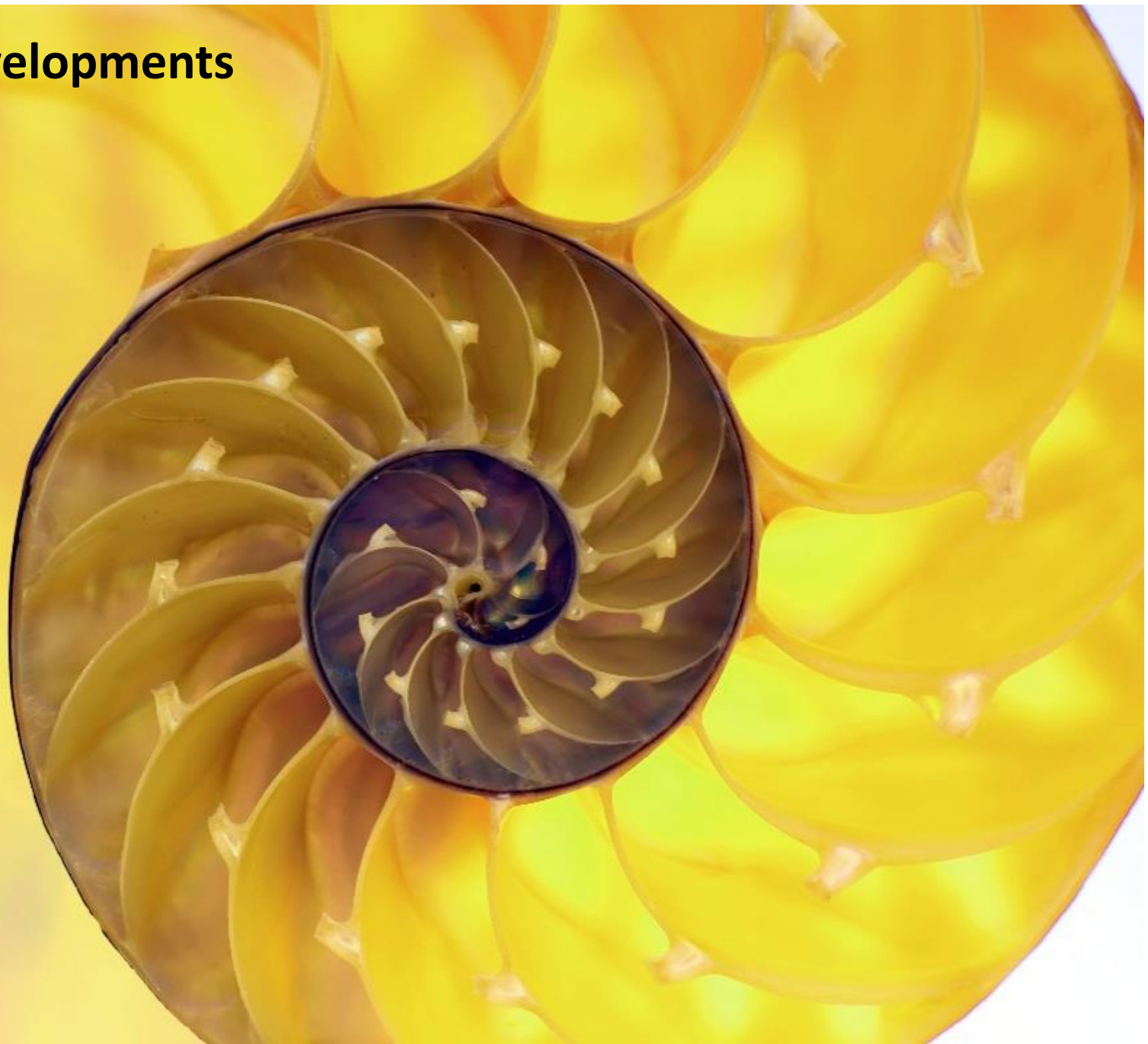
Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Glasgow | 15 June 2023

Sector developments



The future of public health report series

Building a fairer and sustainable system for the UK

Background and overview

Deloitte Centre for Health Solutions has produced a series of reports examining the current challenges and future requirements for a resilient public health system in the UK.

The research was carried out between March and July 2021, against the backdrop of the third wave of COVID-19. The pandemic has exposed the impact of long-standing health inequalities and lack of progress in addressing the social determinants of health. It has also highlighted shortcomings in public health funding and in the roles, responsibilities and accountabilities of a beleaguered public health workforce. At the same time, it has emphasised the crucial role of public health and led to the rapid adoption of innovative ways of working.

Key Findings:

1. The challenges and opportunities facing public health:
 - An unparalleled opportunity to tackle health inequalities.
 - An undisputed need to increase public health funding.
2. Preventing ill health and promoting healthy behaviours:
 - An urgent need to tackle mental health problems.
3. A community level, asset-based approach to public health;
 - Improving the capacity and capability of the public health workforce.
 - Rapid improvement in science and technology are driving innovation.
 - Climate change is a significant threat to public health.



4. Employers have a responsibility for improving employee health.
5. Meaningful change will take time but will realise multiple benefits.
6. Priority actions for a fairer and sustainable future for public health:
 - Actions for national and local governments and the new public health agencies
 - Actions for public health directors and their teams

Further reading

The future of public health report series features six reports on the crucial role of public health and the actions needed to optimise the link between health and productivity to drive economic recovery and positive societal impact. They can be accessed through the following link:

[The future of public health | Deloitte UK](#)

Appendices



Action Plan

The following recommendations have arisen from our 2022/23 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>1. Medium to long term financial planning</p> <p>Management should consider enhancing its financial planning to incorporate the following:</p> <ul style="list-style-type: none"> • Medium to long term financial planning to cover a period of between 5-10 years. • Scenario planning to include a “worst”, “best” and “likely” scenario to allow the Board to manage its risks. • An assessment of service demand and what impact this is expected to have on future expenditure should be considered. • clearly link to the corporate strategy, demonstrating how it will allow NHS 24 achieve its wider objectives. • While financial risks are highlighted, it should also highlight other risks to NHS 24. 	<p>NHS 24 adhere to current 3 year planning cycle as per guidance to NHS Boards. The Finance Plan will align with the medium term strategy for the Board. Unless SGHSCD move to a longer planning cycle it is not felt to be beneficial for NHS 24 to change its planning timelines at present.</p>	Low	Director of Finance	March 2024
	<p>Performance via call demand, workforce projections and the Corporate Risk Register do influence the finance plan. Scenario planning was in place for developments such as Mental Health and Redesign of Urgent Care and was included in the Board Workshop on the finance plan when reviewing potential pressures and efficiencies for the new financial year. We will document that the finance plan is the culmination of defined planning processes to agree funding of the Board priorities to best meets its strategic objectives while achieving financial balance.</p>			

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>2. Performance management framework</p> <p>Data systems need to be in place to be able to capture performance information to allow the Board to measure this against outcomes.</p>	<p>NHS 24 is only one part of a possible patient journey. As such, tracking wider system patient outcomes is not within our control.</p> <p>However, NHS 24 has a strategic commitment, via Value Based Health & Care, to providing the best possible experience and outcomes for people that use and deliver our services. This will be embedded in a refreshed approach to quality management and ensuring the continuous improvement of services (including omnichannel developments like the NHS 24 app) through review and effective use of available data, insight and intelligence. From a data perspective this should further be improved by embedding speech analytics in 2023/24.</p> <p>NHS24 regularly review triage protocols to reduce user effort and optimise outcomes to deliver care closer to home to meet patient and partner needs.</p>	Medium	Director of Transformation, Strategy, Planning and Performance	March 2024

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
(continued)	<p>We are developing a set of PREM (patient related outcome experience measures) to be shared with users, to seek feedback, following use of our digital services. This will replace the historical postal survey.</p> <p>Our proposed KPI framework, if approved, will further demonstrate the value add for patients and citizens, our partners across the health and care system and our staff.</p>			
<p>3. Performance management framework</p> <p>It is important that NHS 24 implement a benefits realisation framework to monitor the success of service redesign and whether the expected outcomes have been achieved.</p>	<p>NHS 24 will implement a Framework for Service Redesign and Change aligned to the new NHS 24 Corporate Strategy (approval expected summer 2023).</p> <p>The development of a robust case for change process for proposed service changes will require sufficient evidence and impact assessment to identify the benefits, making these easier to track and monitor over time.</p>	Medium	Director of Transformation, Strategy, Planning and Performance	January 2024

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>4. Climate change NHS 24 needs to develop more granular interim targets to allow it to measure progress towards its overall emissions reduction target.</p> <p>Consideration should also be given to any financial statement impact of climate change.</p>	<p>During 2022/23 NHS 24 appointed a Senior Responsible Officer and a dedicated programme manager to support the Climate Emergency Sustainability Programme. New governance structures have been put in place and IEMA training for Non Exec and Executive Directors and their identified deputies has occurred. This puts NHS 24 in a good place to have and implement more detailed plans and targets.</p> <p>For 2023/24 the Sustainability Development Group will continue to deliver on the CESP Strategy and action plan by putting in place measures to increase our NSAT score in advance of the next formal reporting cycle in 23/24.</p>	Low	Medical Director and Deputy Director of Finance	March 2024

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
(continued)	The Sustainability and Value group includes representation from Finance and will make clear the financial risk and opportunities presented by sustainability and climate change issues. This will include the finance planning process factoring in investment to reduce carbon emissions and ensure our sites and services are prepared for the consequences of climate change.			
5. Draft Annual Report and Accounts Management should agree a timetable to ensure that a substantially complete draft of the Annual Report and Accounts is prepared by the start of the audit.	This was the first year of a new process regarding the preparation of the annual report with a complete change in design layout. However, lessons learned will be undertaken and anticipated improvements to the process will be made, including earlier curation of information and an earlier combined draft being available to review.	Low	Director of Finance and Chief Communications Officer	April 2024

Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>6. Evidence of management review of estimates</p> <p>As noted on page 15, it is recommended that management maintain evidence that a review of the dilapidations provision has taken place, with sign off to demonstrate that management are satisfied that the estimates are appropriate and in line with expectations.</p>	<p>It is not expected that the dilapidations provision will be revalued each year but at the next trigger point (new site, close to lease ending or major refurbishment of a site). At that point we will seek professional advice to place a value on the whole dilapidations provision. We will then ensure that evidence of management review and approval prior to any adjustments being made will be retained. We will update the Financial Operating Procedure to detail this addition to the process.</p>	Low	Deputy Director of Finance	August 2023
<p>7. Review of costs classification within financial statements</p> <p>It is recommended that a process for reviewing the classification of costs is put in place to ensure accurate allocation within the financial statements.</p>	<p>This action has two elements. Firstly, the Head of Financial Planning and Reporting will add to the annual accounts timetable a task to ensure a check is done against the invoice register in April to correctly identify any trade payables.</p> <p>Secondly, the Head of Financial Planning and Reporting will put in place a streamlined process for the classification of other operating expenditure so that it is transparent and easier to reconcile to the ledger. This will be piloted and reviewed prior to year end to ensure all information from the ledger is appropriately classified in a simple, quick and transparent way.</p>	Low	Head of Financial Planning and Reporting	April 2024

Action Plan (continued)

We have followed up the recommendations made in by the previous auditors. We are pleased to note that four recommendations have been fully implemented and one is in progress.

Recommendation	Management Response	Priority	Management update 2022/23
1. Contracts of Employment NHS 24 should ensure all employees have signed contracts of employment on file and readily available.	Responsible Person: Deputy Director of Finance	Grade 2 – Limited risk exposure	The Recruitment process has changed and Recruitment now send out Contracts via the Jobtrain system, which requires staff to confirm receipt in order to advance through the process. It is unusual for a post to not go via Jobtrain, however, if this were the case the Contract would be sent out via email and the staff member would require to confirm receipt. Fully implemented
2. Review of Fixed Asset Register It is recommended that a more regular review of the fixed asset register is carried out to identify any issues.	Responsible Person: Deputy Director of Finance	Grade 2 – Limited risk exposure	Updates have been made to our Financial Operating Procedures (FOP), awaiting changes for IFRS 16 being finalised and then this version will be approved and uploaded to the intranet. The completed version will then be reviewed twice a year. Fully implemented

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2022/23
<p>3. Contracts Register</p> <p>It is recommended the issue is investigated and resolved to ensure NHS 24 is compliant with the Act.</p>	<p>Responsible Person: Deputy Director of Finance</p>	<p>Grade 2 – Limited risk exposure</p>	<p>The contract register has been published on the NHS 24 public intranet website.</p> <p>Fully implemented</p>
<p>4. Documentation of Goods Received Notes</p> <p>It is recommended that Goods Received Notes are kept for documentation purposes.</p>	<p>Responsible Person: Deputy Director of Finance</p>	<p>Grade 2 – Limited risk exposure</p>	<p>Finance currently engaging with Contact Centre Service Support Managers with a view to ensuring correct goods received note procedures are followed. Draft wording of Standard Operating Procedures (SOP) is being created for the service support team to review and agree.</p> <p>In progress</p> <p>Revised target date: September 2023</p>
<p>5. Authorisation of Journals</p> <p>It is recommended that there should be clear evidence of journals being authorised by a individual different from who posted it.</p>	<p>Responsible Person: Deputy Director of Finance</p>	<p>Grade 2 – Limited risk exposure</p>	<p>New process introduced to attach an electronic version of journal files when journals are processed. Periodic checks undertaken to ensure adherence to new process. Updated financial procedure included in FOPs.</p> <p>Fully implemented</p>

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements decrease the surplus and net assets by £0.109 million.

		Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified in current year					
Employee expenditure	[1]	0.109			
Accruals			(0.109)		
Total		0.109	(0.109)		

[1] Through our testing of accruals, it was noted that accruals for enhanced pay had been incorrectly calculated, resulting in an understatement of accruals. We are satisfied that this adjustment would not impact on the achievement of the financial targets reported in the Annual Report and Accounts and that NHS 24 would remain in a surplus position.

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m	If applicable, control deficiency identified
Reclassification of accruals to trade payables	[1]					
• Accruals			279k			
• Trade payables			(279k)			
Reclassification of operating expenditure	[2]	Nil impact				
Recognition of CNORIS income	[3]					
• Property and administration expenditure		1,022k				
• Operating income		(1,022k)				
Total		-	-			

[1] Through our testing of accruals, we identified items which had been incorrectly classified. These have been corrected by reclassifying as trade payables. This has nil net impact on the balance sheet.

[2] Through our testing of operating expenditure, it was identified that £548k of costs had been misclassified between the note line categories. There was a nil impact as the reclassification resulted in no change to the overall value recognised.

[3] We identified that income in respect of Clinical/Medical Negligence Claims had been shown on a net basis within expenditure rather than gross. This resulted in a reclassification within the SOCNE with nil impact on final net expenditure.

Audit adjustments

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which have been corrected by management as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Exit Packages	<p>Summary data on the use of exit packages agreed in the year should be disclosed. This includes a requirement to disclose all exit payments paid during the financial year.</p> <p>Our review of the first draft of the Annual Report and Accounts identified that exit packages had not been disclosed in line with these requirements.</p>	Qualitative
Related Parties	<p>Reporting entities should give a note disclosing balances with related parties if material.</p> <p>Our review of the first draft of the Annual Report and Accounts identified that the Scottish Government had not been disclosed as a related party. As there were material dealings with the Scottish Government in the year, this should be disclosed.</p>	Quantitative and qualitative

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked NHS 24 to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked NHS 24 to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in management override of controls and operating within expenditure resource limits as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit and Risk Committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of NHS 24 and our objectivity is not compromised.

Fees

The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	64,360
Audit Scotland fixed charges:	
• Pooled costs	5,820
• Audit support costs	2,520
• Sectoral cap adjustment	(3,530)
Total expected fee	69,170

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and NHS 24's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with NHS 24, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.