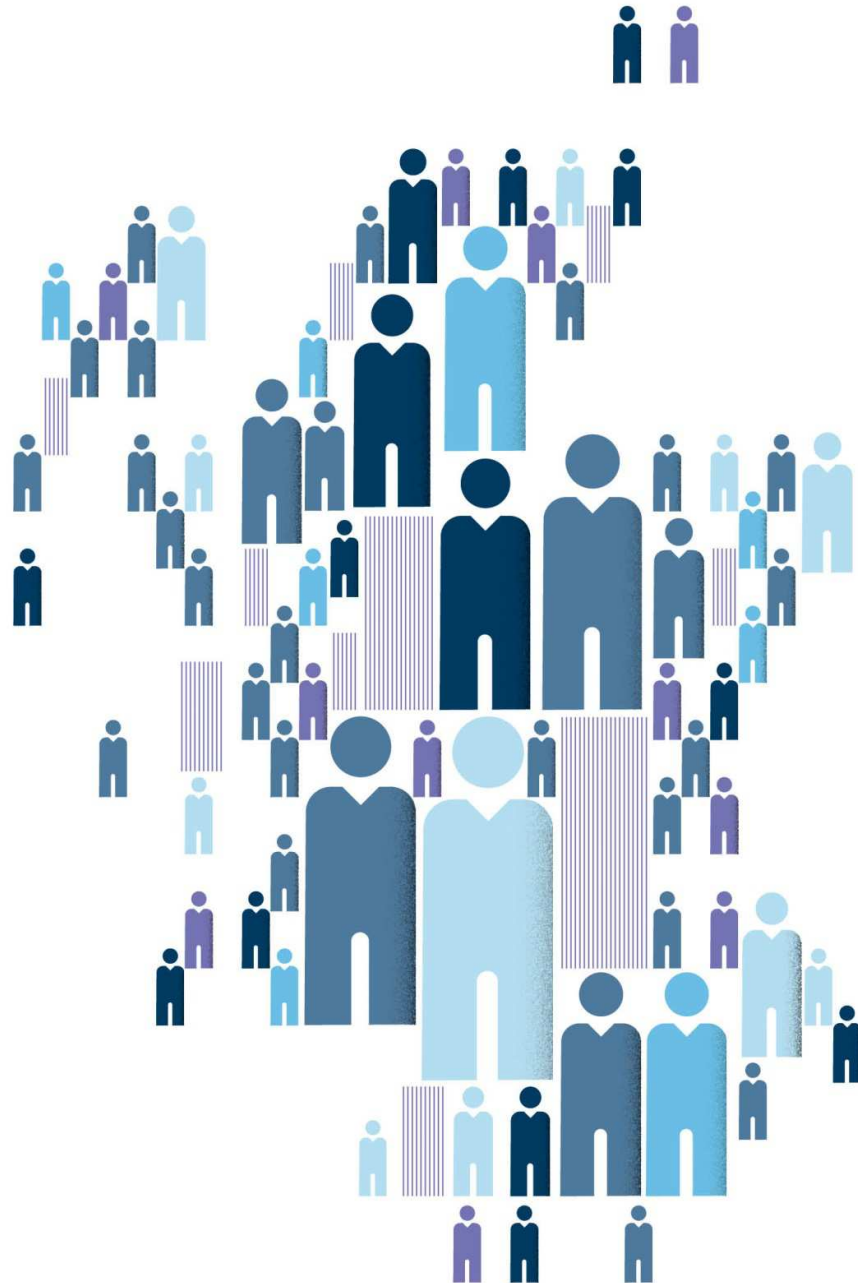


# NHS 24

*2018/19 Annual Audit Report to the  
Board and the Auditor General for  
Scotland*

May 2019





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# *1. Key messages*

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## Annual accounts audit

All key financial targets were met in 2018/19. NHS 24 achieved a saving against its revenue resource limit of £0.3million and a breakeven position against its capital resource limit of £0.219million.

The annual report and accounts are due to be approved by the Board on 20 June 2019. We intend to report within our independent auditor's report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.

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

## Wider scope audit

### Financial sustainability

NHS 24 has satisfactory arrangements in place for financial planning over the medium term and in 2018/19 made further improvements to their Strategic Planning and Resource Allocation ('SPRA') process.

NHS 24's financial plan demonstrates that the Board can be financially sustainable in the medium term. The Board is forecasting a breakeven position for the next three financial years before moving to a surplus position from 2021/22 which can be used to support strategic priorities.



### Financial management

NHS 24 has adequate and effective arrangements in place for managing its financial position and use of resources, but relied on an increasing amount of non-recurring savings to achieve financial balance in 2018/19.

We evaluated NHS 24's key financial systems and internal financial controls and determined these are adequate to prevent material misstatements in the annual accounts however some improvements have been identified to enhance the control environment.



### Governance and transparency

Governance arrangements at NHS 24 were found to be satisfactory and appropriate.

Our review has focussed on considering governance arrangements over the Service Transformation Programme and associated projects and NHS 24's self-assessment against the Blueprint for Good Governance.



### Value for money

Improvements have been made to NHS 24's performance management framework during 2018/19 with the introduction of a revised indicator for 2019/20 demonstrating a focus on improving patient pathway and experience through the 111 service.

NHS 24 has improved performance levels in 2018/19. The Board met 13 out of 19 reported targets in 2018/19. Performance in over 50% of indicators has either improved or been maintained at prior year levels.



## Conclusion

This report concludes our audit for 2018/19. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

**Scott-Moncrieff**  
May 2019



## 2. *Introduction*

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**This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of NHS 24 for 2018/19.**

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

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

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## Introduction

1. This report summarises the findings from our 2018/19 audit of NHS 24.
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Risk Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2018/19 annual report and accounts and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
  - monitoring NHS 24's participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

### Exhibit 1: Audit dimensions within the Code of Audit Practice



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

### Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with the Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

### Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing



business needs. Our aim is to add value to NHS 24 through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

10. As part of our 2018/19 audit we added value to NHS 24 and Audit Scotland in a range of ways:

### Regular contact with the Board

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11. We invest senior time to ensure that we keep up to date with significant issues and share that knowledge across our team. Examples include:
  - We hold regular catch ups with the Director of Finance and Performance and Deputy Director of Finance;
  - We hold discussions with the Board's finance team, in advance of the preparation of the annual accounts; and
  - Our Engagement Partner attended the 2017/18 annual review in January 2019.
  - We ran two non-executive forums during the year which were well attended by NHS 24 Non-Executive Directors (NEDs). These forums covered areas such as; achieving transformational change, cyber resilience and Brexit.

### Providing assurance to the Board and Audit Scotland

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

### Feedback

12. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
13. While this report is addressed to the Board and the Auditor General for Scotland, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



# 3. *Annual report and accounts*

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

**In this section we summarise the findings from our audit of the 2018/19 annual report and accounts.**

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# Annual report and accounts

## An unqualified audit opinion on the annual report and accounts

The annual report and accounts for the year ended 31 March 2019 are due to be approved by the Board on 20 June 2019. We intend to report unqualified opinions within our independent auditor's report. We did not identify any significant adjustments to the unaudited annual report and accounts.

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

### Overall conclusion

#### An unqualified audit opinion on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2019 are due to be considered by the Audit and Risk Committee on 30 May 2019 and approved by the Board on 20 June 2019. We intend to report within our independent auditor's report:
  - An unqualified opinion on the financial statements;
  - An unqualified opinion on regularity; and
  - An unqualified opinion on other prescribed matters.
15. We are also satisfied that there were no matters which we are required to report by exception.

#### Good administrative processes were in place

16. We received the unaudited annual report and accounts and supporting papers of a high standard, in line with our agreed audit timetable. Our thanks go to staff at NHS 24 for their assistance with our work.
17. The annual report and accounts will be submitted to the Scottish Government and Auditor General for Scotland by the 30 June 2019 deadline.

### Our assessment of risks of material misstatement

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



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

### 1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

*Excerpt from the 2018/19 External Audit Plan*

19. We have not identified any indication of management override in the year. We have reviewed NHS 24's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
20. During our review of the Board's financial records, we identified two unbalanced journal transactions. Following investigation from NHS 24 and NHS National Services Scotland, we were able to confirm that these transactions had been posted to job codes which NHS 24 did not have access to view. Sufficient evidence was obtained to confirm the legitimacy of these transactions and confirm that they had been appropriately accounted for.

*Action plan point 1*

### 2. Revenue recognition

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

*Excerpt from the 2018/19 External Audit Plan*

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



### 3. Risk of fraud in the recognition of expenditure

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

*Excerpt from the 2018/19 External Audit Plan*

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

#### Our application of materiality

23. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the financial statements.
24. Our initial assessment of materiality for the financial statements was £1.214million. On receipt of the 2018/19 draft accounts, we reassessed materiality and maintained the £1.214million threshold. We consider that our updated assessment has remained appropriate throughout our audit.
25. Our assessment of materiality is set with reference to the revenue resource limit. We consider this to be the principal consideration for the users of the financial statements when assessing the financial performance.

#### Performance materiality

26. Performance materiality is the amount set by the auditor for each financial statement area, to reduce to an appropriately low level the probability that collectively any uncorrected and undetected misstatements are less than materiality for the financial statements as a whole.
27. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

	Area risk assessment		
	High	Medium	Low
Performance materiality	546	668	850

28. We agreed with the Audit and Risk Committee that we would report on all material corrected misstatements, uncorrected misstatements with a value in excess of £24,000, as well as other misstatements below that threshold which, in our view, warranted reporting on qualitative grounds.

#### Audit differences

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

#### An overview of the scope of our audit

30. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in March 2019. 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.
31. 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.



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

## Other matters identified during our audit

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

### Other information in the annual report and accounts

34. “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

35. 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.
36. 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

37. 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

38. We consider the coverage of the governance statement to be in line with our expectations.
39. 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

40. 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

41. 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.

## Property, Plant and Equipment (PPE)/Intangible Assets

42. 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 a particular issue in respect of the Board’s IT assets.
43. 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.
44. We would encourage the Board to review its asset register and write off any assets no longer in use and re-assess the useful life of those assets still in use but fully depreciated.

### Action plan point 2

## Financial systems – user access reviews

45. As part of our audit, we consider the controls the Board has in place in respect of its IT environment including access to key financial systems. We noted from this review that while NHS 24 formally monitors their own staff’s access to the financial ledger, E-financials on a 6-monthly basis, they are not aware of how NHS National Services Scotland monitors access of their staff. Testing over journals identified that there had been a significant increase in the number of NHS NSS users posting to NHS 24’s financial ledger.
46. We would encourage NHS 24 to seek confirmation from NHS NSS that user access to NHS 24’s ledger is monitored on a regular basis in order for NHS 24 to be able to promptly identify any unexpected or unusual transaction postings.
47. We further noted that during 2018/19, NHS 24 had not performed a review of users for the purchase ordering system, PECOS. There is a risk that without



performing regular reviews of users that inappropriate access or authorisation levels occurs.

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

### *Action plan point 3*

#### **Looking forward – IFRS 16 Leases**

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49. IFRS 16 Leases will be effective from 1 April 2020. IFRS 16 Leases will lead to a substantial change in accounting practice for lessees where the current distinction between operating and finance leases will be removed. Instead, it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to pay for that right.
50. There are new requirements for measurement of the lease liability where it will initially be measured at the present value of the lease payments payable over the lease term but may rise to reflect any reassessment or lease modifications, or revised in-substance fixed lease payments.
51. Board finance staff have attended a number of recent events at which the anticipated changes impacts resulting from adoption of the standard have been discussed. The Board has also commenced work to quantify the impact the change in accounting standard will have moving forward. This will be a key area of focus for our 2019/20 audit.

#### **Qualitative aspects of accounting practices and financial reporting**

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



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to the valuation of liabilities related to the Board's membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These estimates have been informed by advice from qualified, independent experts. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.
The appropriateness of the going concern assumption	We have reviewed the detailed financial forecasts for 2019/20. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Board will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the financial statements.	The annual report contains no material misstatements or inconsistencies with the financial statements.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



# 4. Financial sustainability

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



*NHS 24 has satisfactory arrangements in place for financial planning over the medium term and in 2018/19 made further improvements to their Strategic Planning and Resource Allocation ('SPRA') process.*

*NHS 24 is forecasting a breakeven position for the next three financial years before moving to a surplus position from 2021/22 which can be used to support strategic priorities.*

*Funding of pay and associated costs is identified as a high risk to NHS 24's ability to continue to meet its financial target in 2019/20.*



## Significant audit risk

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

### Financial sustainability

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

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

*Excerpt from the 2018/19 External Audit Plan*

54. We have reviewed NHS 24's outturn position as part of our work on financial management and the financial statements. The Board reported an underspend in 2018/19 and made additional brokerage payments in addition to those required under their repayment plan. Our work on the financial projections from 2019/20 onwards is set out below and notes ongoing challenges in achieving the recurring savings targets and brokerage repayments

### Health and social care medium term financial framework

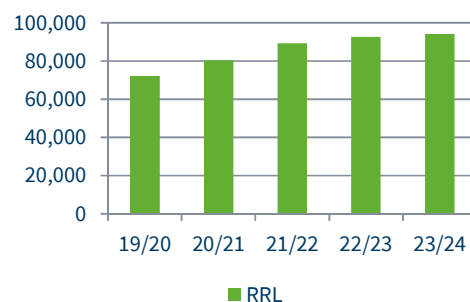
55. In October 2018, the Scottish Government published its Health and Social Care Medium Term Financial Framework. The Framework is supported by financial modelling and highlights the necessity for not only additional investment but continued reform of the Health and Social Care system. It is anticipated 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.
56. The framework was supported by a statement in Parliament by the Cabinet Secretary for Health and Sport. The Cabinet Secretary confirmed that a 3-year deal would be offered to support all NHS Territorial Boards to move to a level position through the removal of outstanding brokerage and the creation of a new 3-year financial planning arrangement.
57. At the time of publication, NHS 24 was not included in the plans to remove outstanding brokerage meaning that NHS 24 would be the only Scottish health board to be repaying brokerage. The Chief Executive and Director of Finance and Performance entered into discussions with Scottish Government Health Finance Directorate in regards to this issue.

58. It was confirmed that NHS 24 would be required to repay outstanding brokerage. However the Scottish Government has confirmed that a maximum of £5million funding would be available for NHS 24 in 2019/20 to support service redesign initiatives with the wider Health and Social Care system, including mental health, GP triage and advanced clinical support. From 2020/21 onwards, this funding will be made available on a recurring basis.

### Financial projections and efficiencies

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

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







Source: 2019/20 Operational Plan

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

Key assumptions and risks in the Operational Plan

61. The key high level assumptions used by NHS 24 for 2019/20 are as follows:

Exhibit 4: Key financial assumptions

	2019/20 uplift (%)
Revenue growth	1
Pay uplift (for those earning £80,000 or less)	3
Savings for all departments – Pay	3
Savings for all departments – Non -Pay	2

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

- Full Scottish Government funding for Agenda for Change pay progression and employer superannuation increases;
- Service delivery budgets to increase to deliver the improvements to the 111 service model over the next two years; and
- Technology Refresh provision to be established.

63. The assumptions underpin the operational plan and include an assessment of risk. From our review of the SPRA there has been appropriate scenario planning to understand the implications of movements in the assumptions.

64. NHS 24 has identified one high risk assumption in the financial plan in relation to pay and superannuation funding. It is anticipated that the combined impact of additional pay and superannuation costs will be in the region of £2.5million to £3.5million.

65. Funding levels for this additional cost pressure in 2019/20 have not yet been confirmed by the Scottish Government and will apply across all NHS Boards in

Scotland. There remains further uncertainty around whether these costs will be funded in full in future years.

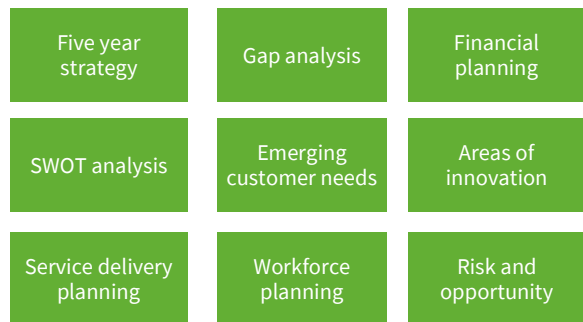
66. The achievement of efficiency savings plans has also been identified as moderate risk in delivery of the financial plan. NHS 24 has consistently met savings targets in recent financial years however identifying future savings for the next five years will be challenging with approximately £1.8million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

Strategic Planning

67. Following external engagement on and full Board approval, NHS 24 published its strategy in 2017, *Helping to deliver a healthier Scotland by connecting people to health and care advice, information and support 24/7*. The Strategy advocates the potential NHS 24 role, through its national infrastructure to support the aims and ambitions within the National Health and Social Care Delivery Plan (Scottish Government/December 2016).

68. The Strategic Planning and Resource Allocation (SPRA) process integrates the strategic objectives to the operational, workforce, financial planning and risk management process and involves input from each of the directorates within NHS 24. As part of the SPRA, each directorate identifies:

Exhibit 5: SPRA considerations



69. The summary consolidated position was presented to the Board in April 2019 in the form of the annual operational plan. The Plan outlines the Board’s key priorities for 2019/20 which are aligned to both the Scottish Government priorities and NHS 24’s strategic priorities.

70. The 2019/20 operational objectives can be summarised as follows :

- Developing and improving access and patient experience;
- Developing Mental Health services
- Digital Services



- Supporting Primary Care Sustainability
- Supporting delivery of Waiting Times Improvement
- Engagement with Health and Social Care

### Digital and technology strategies

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71. In April 2018, the Scottish Government set out its digital vision for health and care services in Scotland's Digital Health and Care Strategy: enabling, connecting and empowering. The Strategy shows how technology will be used to reshape and improve services, support person-centred care and improve outcomes.
72. NHS 24 presented both a Digital and Technology Strategy for approval by the Board in April 2019. A collaborative and cross directorate approach has been taken on the creation of the Technology, Data and Digital Strategies. The Board has a clear ambition to be a key delivery partner in the development of a virtual health and care service model for Scotland and the approval of these strategies provides a clear plan for this to occur.
73. The Digital Strategy is clearly aligned to the organisational Service Transformation programme and seeks to support delivery of the operational objectives outlined in paragraph 70. The strategy aims to support service redesign to ensure the public can access services through digital means.
74. The Technology Strategy outlines the approach that will enable NHS 24's vision and ensure services and systems have a modern technological footing. An implementation timetable is in place which outlines the high level programme for when key tasks will be performed. A governance group will be convened consisting of senior managers to oversee progress against the Strategy.



# 5. Financial management

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



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

*The Board met its key financial targets in the year delivering an underspend in the year 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

- 75. All Boards have to work within the resource limits and cash requirements set by the Scottish Government.
- 76. NHS 24 achieved a saving against its RRL of £300,000. This surplus is in line with the breakeven position outlined within the 2018/19 Operational Plan.

### Exhibit 6: Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000	Target achieved?
Core revenue resource limit	65,291	64,992	299	Yes
Non-core revenue resource limit	200	199	1	Yes
Capital resource limit	219	219	-	Yes
Cash requirement	62,458	62,458	0	Yes

### Delivering financial balance

- 77. The 2018/19 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.
- 78. A significant underspend of £1.348million was incurred in relation to the unscheduled care service as a result of vacancies against establishment for clinical posts. £0.5million was utilised to support the additional brokerage payment. The remaining underspend was able to be offset against areas of approved in-year overspend including ICT staffing and contracts.

context of outstanding brokerage payments and delivery of the National Boards’ savings target. This resulted in the Board opting to make additional brokerage payments.

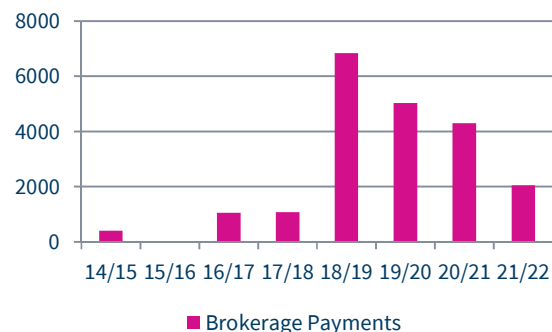
### Additional brokerage payments were made

- 82. The 2018/19 financial plan set out a target brokerage payment of £5.06million. The Board were able to make additional brokerage repayments during the financial year resulting in a total brokerage repayment of £6.840million. This left an outstanding balance of brokerage of £11.392 million to be paid over the three year period to 2021/22. Exhibit 7 shows both actual payments made and the payment plan for future repayments.

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

- 79. The Board performed a mid-year review which included consideration of both NHS 24 specific and national challenges, risks and opportunities.
- 80. The mid-year review sets a projection of the year-end financial outturn which aims to finalise the NHS 24 operational and development budgets for the remainder of the financial year. Consideration will be given to additional funds being made available either through underspend or through additional allocations and also to identified cost pressures.
- 81. As part of this review, the Board were asked to consider a number of amendments to the original budget. These options were presented in the

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



Source: Annual report and accounts/2019/20 Operational Plan

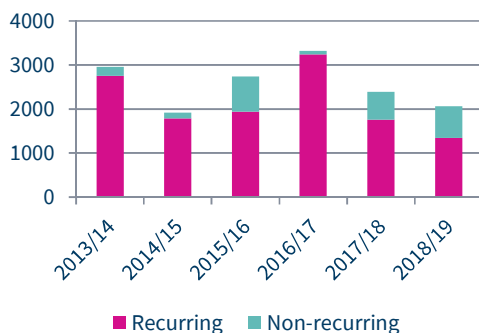


## Efficiency savings

### *NHS 24 experienced challenges in delivering savings on a recurring basis*

83. NHS 24's 2018/19 Operational Plan outlined a requirement to deliver £2.060 million of savings, being the amount required to ensure the Board reported a breakeven position. In addition, NHS 24 intended to contribute £0.353m towards the National Boards Collaborative savings target of £15m.
84. The majority of NHS 24's savings were delivered recurrently through reductions in technology costs. Non-recurring savings represented 35% of savings achieved through a 5% reduction to all non-clinical budgets, excluding technology contracts. This 5% reduction was particularly challenging as this follows a recurring reduction of 10% in the two preceding financial years.
85. During 2017/18, the National Health Boards collaborated to identify ways to standardise and share services in order to reduce operational costs by £15million which could be reinvested in frontline services. NHS 24 contributed £0.353million to the National Boards Collaborative savings target of £15million during 2018/19.
86. The amount of recurring savings achieved, as a percentage of total savings, has decreased in 2018/19 by 8.5%. Exhibit 8 outlines how NHS 24 is increasingly reliant on non-recurring savings.

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



Source: NHS 24 local delivery and operational plans

87. In the past two years we have seen a rise in the amount of non-recurring savings required to meet efficiency savings targets. Exhibit 8 above details the trend of savings targets and the composition of savings types.

88. Reliance on non-recurring savings places additional pressures on the future financial position of the Board and will therefore require careful management.

### *Capital programme was delivered in full*

89. NHS 24 broke even against their CRL set in 2018/19. The majority of capital expenditure for the Board was in relation to facilities schemes. This included the completion of a new Air Conditioning System at Norseman House. NHS 24 additionally invested in a new Workforce Management System.
90. During 2018/19, NHS 24 had undertaken work on developing their Estates Strategy with the hope of completing this work by April 2019. However, the Board were recently informed that space rented on the Golden Jubilee site will now require to be vacated earlier than originally anticipated.
91. The financial consequences associated with this latest change have not been factored into the annual operating plan and will require time to review options, timescales, cost and operational impact.

## Budget monitoring and control

92. NHS 24 presents financial monitoring reports to all meetings of the Finance and Performance Committee and Executive Management Team. Regular updates are also presented to the Board.
93. 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.
94. Financial monitoring reports now also include a summary of the NHS Scotland position to provide additional context to the financial challenges facing NHS 24.

## Prevention and detection of fraud and irregularity

95. 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.
96. 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, NFI updates and whistleblowing.



## National fraud initiative

97. 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.
98. Participating bodies were required to submit data in October 2018 and received matches for investigation in January 2019. Match investigation work should be largely completed by 30 September 2019 and the results recorded on the NFI system.
99. We reviewed NHS 24's participation in the NFI scheme in May 2019 including an assessment of progress in addressing identified matches. The 2018/19 NFI exercise has generated two payroll reports, identifying a total of 79 matches to be investigated by NHS 24. All matches have been considered: 49 (62%) have been closed with no issues and 30 (38%) are currently in progress.
100. The results of the NFI investigation have not identified any frauds, errors or other observations. Based on our review and the analysis above, NHS 24 is well prepared to meet the September 2019 deadline for the 2018/19 NFI exercise. We have therefore concluded that NHS 24's arrangements with respect of NFI are satisfactory.

## Standards of conduct

101. In our opinion NHS 24's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial instructions and scheme of delegation and for complying with national and local codes of conduct. We have also considered compliance with the regulatory guidance that is produced by the SGHSCD throughout the year.

## Composition of finance team

102. The Deputy Director of Finance retired in May 2019 resulting in a significant loss of experience, skills and knowledge working within health boards. A replacement took up post in April 2019 allowing the new post holder to learn from his predecessor and ensure appropriate handover arrangements were in place.

## Systems of internal control

103. 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.

104. While we did not identify any material weaknesses in the Board's accounting and internal control systems during our final audit, we have identified some areas for improvement which are detailed within our action plan in Appendix 2.

## Internal audit

105. An effective internal audit service is an important element of NHS 24's governance arrangements. NHS 24's internal audit provider changed from PricewaterhouseCoopers ('PWC') to Grant Thornton in 2018/19. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of NHS 24's audit resource.



# 6. Governance and transparency

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



*NHS 24 has appropriate governance arrangements in place.*

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

*During 2018/19, NHS 24 commissioned an external skills audit of the Board and has also performed a self-assessment against the Blueprint for Good Governance demonstrating a commitment to continuously improve governance arrangements.*



## Governance arrangements

### Service transformation programme

106. NHS 24 changed the terminology of their service change programme from the Organisational Improvement Programme to the Service Transformation Programme (STP).
107. The STP has a Programme Board which comprises an appropriate range of senior managers and directors from across NHS 24, and also representatives of Scottish Government and partner organisations. There is a defined terms of reference detailing roles and responsibilities in order to deliver against the STP.
108. The STP Board will deliver updates to both the Executive Management Team (EMT) and the NHS 24 Board. We reviewed the progress updates which are provided to the Board and confirmed that update clearly evidence actions being undertaken for each project alongside future actions.
109. Further detail on the Service Transformation Programme is included from paragraph 144 within our Value for Money section.

### National health board collaborative partnership

110. Revised planning structures across the Scottish public sector are being implemented with NHS 24 playing a significant role in collaborating with other National Health Boards.
111. National Boards have been working collaboratively for a number of years but as the level of collaboration increases, the need for a clear governance structure increases.
112. A draft governance framework has been developed in order to formalise how national boards could align in governance terms to facilitate the joint working set out in the draft NHS National Boards Collaborative Discussion Document. The framework proposes the introduction of a Strategic Forum which will hold senior representation from across the National Health Boards.
113. The Framework has been presented to each National Board's Audit and Risk Committee and has also been shared with the Central Legal Office for consideration. The Framework will be held as preparatory work to be further considered for approval at the point that the NHS National Boards Collaborative Discussion Document is finalised and formally adopted.

### Impact of EU withdrawal

114. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:
  - Workforce
  - Funding
  - Regulation
115. NHS 24 has continued to work to assess the overall impact Brexit may have on each of the above key areas. NHS 24 was well prepared for leaving on the original date of 29 March 2019 and has been able to demonstrate clear consideration of each of the above areas. This has included a review of the NHS 24 workforce and supply chains.
116. Short-term challenges in the event of the UK leaving the EU are primarily in relation to additional call volume through the Board's 111 service. NHS 24 has also recognized that there could be the potential for indirect workforce challenges in the medium to longer term as a result of a reduction in available clinical staff nationally.
117. The most recent EU withdrawal paper was presented to the Board in April 2019 led by the Director of Finance and Performance. This provided a further current events summary on mainly workforce and supply chain points.

### Key supplier dependency

118. One of the sector risks identified by Audit Scotland for 2018-19 relates to public sector organisations reliance on key suppliers. Following the collapse of Carillion, it became apparent that public sector bodies face significant risks where suppliers are experiencing difficult trading conditions.
119. NHS 24's most significant contracts relate to provision of the technology platform with BT and Capgemini. Due to the historic issues with respect of this project, these contracts have been subject to comprehensive audit review previously and we are satisfied that appropriate contract management arrangements are in place. As noted above in paragraph 115, NHS 24 has performed a review of its supply chain as part of Brexit preparations.

### Openness and transparency

120. In line with 2017-18, one of the sector risks identified by Audit Scotland for 2018-19 relates to public sector organisations keeping pace with





- public expectations relating to openness and transparency.
121. We consider NHS 24 to exhibit good practice with respect to their openness and transparency arrangements through the following:
- Publication of Board papers on NHS 24's website;
  - Board agendas are published on NHS 24's website in advance of meetings being held;
  - Committee minutes and updates are available to the public through Board papers;
  - Key publications (including operational plan, results of annual review, annual accounts) are available on NHS 24's website; and
  - Up-to-date register of interests are available on NHS 24's website.
127. The final report recognizes the considerable progress made by the Board in recent years with respect of both internal and external working relationships with there now being much greater stability and strategic focus. A number of key skill requirements and development areas for the Board to take forward have been identified and we will review progress in addressing these as part our 2019/20 audit.
128. We have reviewed the process for ensuring new board members receive appropriate training which supports the members in providing appropriate challenge and scrutiny. The training programme for new Board members is coordinated by Board Executive Assistant and includes a comprehensive information pack.
129. Our review of the training materials provided to new members during 2018/19, found that the current programme was sufficiently comprehensive and covered all expected areas. There was appropriate evidence that new members during the year had completed the required programme.

## Blueprint for good governance

122. 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.
123. 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.
124. NHS Boards were asked to conduct a self-assessment against the areas outlined within the document. NHS 24 conducted the self-assessment in March 2019 with the results being reported to the Board in April 2019. In addition to being able to demonstrate continuous improvement, the Board has identified a number of specific actions which have been identified in the strategic planning process for 2019/20.

## Board member skills audit and training

125. During 2018/19, the Chair of NHS 24 commissioned a skills audit of the current NHS 24 Board. This was in recognition that the organisation has come through a period of major and high impact change and that there has been and will be in the near future, a number of changes to Board membership.
126. The skills audit was conducted by an Organisational Development consultant with the aim of establishing the experience and expertise required in the recruitment of new Board members to NHS 24 to govern both its operations and to help meet its rapidly evolving and growing strategy. The audit has also taken cognisance of the Blueprint for Good Governance.



# *7. Value for money*

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



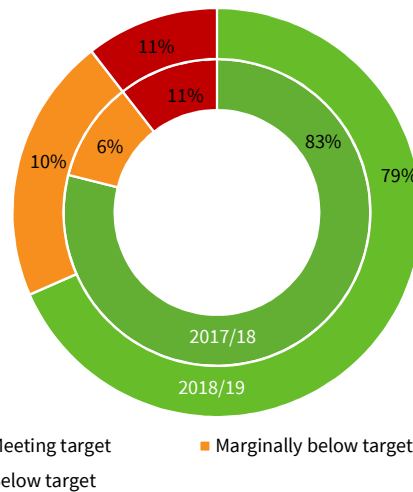


*NHS 24 has demonstrated strong performance against targets but a decline in performance against prior year*

130. NHS 24 reported against 19 targets in 2018/19. 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).
131. Our analysis shows a good performance in general with 79% of targets being met or exceeded. 10% were marginally below target and a further 11% below target. This represents a slight decrease in performance compared to 2017/18 as illustrated in exhibit 9.
132. The timeliness of answering calls against the current target level continues to present challenges to NHS 24:

- 54.92% of calls were answered, on average within 30 seconds (2017/18: 50.9%). This is significantly below the average annual target of 90%. It is important to note however that throughout the full year all clinical performance targets were consistently met in full or exceeded. 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 in the context of the new performance framework arrangements now agreed for implementation in 2019/20.
- 67.6% of breathing space calls, on average were answered within 30 seconds (2017/18: 72.3%). 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 two successive years mainly as a result of increased volumes of calls into the service. By the end of 2018/19 the service had delivered an increase in staffing levels which should result in closer alignment with the target in 2019/20.

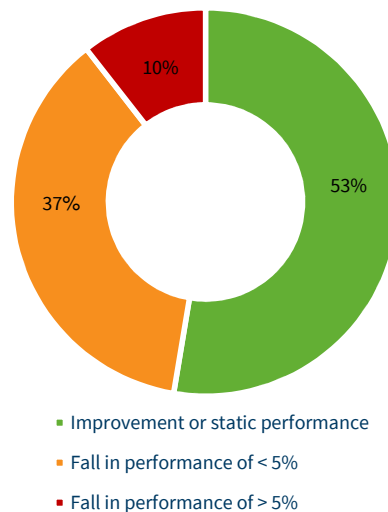
**Exhibit 9: Performance against target in 2018/19**



Source: NHS 24 Annual report and accounts

133. Performance in 2018/19 slightly decreased against prior years.

**Exhibit 10: Performance compared to 2017/18**



Source: Annual report and accounts

134. As outlined in exhibit 10, while NHS 24 has not been able to improve the number of performance indicators where target has been met, performance against prior year has either been maintained or improved upon for over 50% of targets.
135. Two indicators have been identified as showing a fall in performance of greater than 5% in comparison to prior year:
- Converted 76% of Category C (against a target of 75%) calls transferred from the SAS to primary care or homes care outcomes (2017/18: 83.5%).



During 2018/19, NHS 24 has experienced a 100% increase in the volume of these calls due to a change in process within SAS. This has been investigated by NHS 24 and the increase is likely to continue as the calls represent appropriate referrals to NHS 24. In this context the target will be discussed with Scottish Government during 2019/20.

- 91.3% of GP priority calls (these are serious and urgent) were responded to within 20 minutes against a target of 90%.
- 79.10% annual average of GP routine calls (these are routine calls referred to GP's to respond to within 4 hours) were responded to within 60 minutes against a target of 90% (2017/18: 92.3%). This represents the length of time from the call being taken to the referral from NHS 24 to a local out of hour's service being made and is impacted by the performance against the service access target. The new performance framework for 2019/20 does not reference this target as a measure of service effectiveness but places more focus on the achievement care delivered at the first point of contact (new target) and the achievement of the existing clinical KPIs.
- The clinical KPI call-back performance during 2018/19 is detailed below:
  - 99.9% of P1 calls were responded to within 60 minutes against a target of 98%.
  - 99.9% of P2 calls were responded to within 120 minutes against a target of 90%.
  - 93.3% of P3 calls were responded to within 180 minutes against a target of 80%.

### Performance framework review

136. NHS 24 recognises that aspects of the current indicators measure outputs as opposed to clinical outcomes. It is noted there could be missed learning with regard to the impact on the patient journey.
137. In January 2018, NHS 24 was asked to bring forward an improved and fit for purpose performance framework with associated targets and outcomes aligned to the aims and outcomes detailed in the five year strategy. The framework recognises that current indicators do not always meaningfully measure either the effectiveness or appropriateness of NHS 24's response. In particular, NHS 24 wishes to focus on indicators that measure clinical outcomes and patient pathway and experience more effectively.
138. No significant changes to measures have been proposed in the 2018/19 measures outlined within the operational plan. NHS 24 instead used 2018/19 to build an evidence base to support revised

performance indicators which would be rolled out from 1 April 2019.

139. Analysis performed showed that while historically 90% of calls may have been answered, it was underpinned by a significant number of patients waiting for call back and lower levels of patients supported at the first point of contact. Feedback from users confirmed that there is a strong desire to minimise the need for any subsequent call back, even if this results in a slightly longer waiting time. The analysis also considered comparable services in England and Wales.
140. Within the context of the NHS 24 current performance capability and resource plan for 2019/20, NHS 24 aims to respond to at least 70% of calls within 30 seconds for most of 2019/20. As NHS 24 further develops the service model however they plan to deliver an improvement in the access target to 80% of calls in 30 seconds by quarter 4 of 2019/20 and maintain this thereafter.
141. In February 2019, the Board approved the NHS 24 Quality Framework 2019-2021. The Framework offers a high level overview of the proposed future organisational quality arrangements, and aligns to the Healthcare Improvement Scotland Quality Management system putting people at the heart of quality.
142. The 2019/20 Operational Plan outlines NHS 24's performance measures and key performance indicators. This includes a new performance measure from 2019/20: Care delivered at first point of contact. The Board has set the target of 70% of calls will result in direct access to the service at the first point of contact, increasing to 75% by quarter four.

### Service transformation initiatives

143. During 2018/19, significant progress has been made in delivering key initiatives as part of the Service Transformation Programme. These initiatives are integrated with national policy and frameworks and are generally focused on service redesign to enhance the quality and provision of care.
144. These initiatives demonstrate a focus on improving patient pathways and experience and the quality of the care. Each project within the programme is currently being delivered in collaboration with both national and territorial health boards alongside health and social partnerships where appropriate. (Exhibit 11).



### Exhibit 11: In hours GP Triage

The In Hours GP triage service is a multichannel service provided by NHS 24 to GP practices, to route requests for same day GP appointments to the most appropriate end-point. The largest test of this new service in 2018/19 was delivered collaboratively with NHS 24, NHS Lothian and the East Lothian Health and Social Care Partnership.

Positive feedback has been received through a comprehensive evaluation undertaken by NHS 24. Both qualitative and quantitative evaluation methods were employed as part of the evaluation exercise to ensure a thorough analysis of the projects strengths and weaknesses.

The evaluation showed a number of positive outcomes including:

- Significant reduction in 'same day' face to face GP appointments leading to greater GP capacity;
- GP's reporting a shift in clinical complexity; and
- Ability to extend time slots for more complex cases as a result of increased capacity.

The analysis also recognised that there are a number of learnings that can be taken forward as the project develops:

- Significant technology challenges exist impacting both Practices and NHS 24;
- Data collection methods need to be established for all processes; and
- Consider extending the ability of NHS 24 staff to make appointments.

Interest in the service model has been developed through engagement with other NHS Boards and detailed plans for programme growth will be developed during 2019/20.

### Advanced clinical support

145. During 2018/19, two groups of trainee Advanced Nurse Practitioners continued into training. This training included spending time in a range of clinical placement areas to expand and enhance their clinical knowledge and skills. In 2019, this will progress into a phase of deployment.
146. Work is also progressing with partner health boards on the potential for joint care delivery in remote and rural areas of Scotland delivered via multiple channels. The initiative is exploring the opportunity for shared/rotational roles in these areas in addition to a rotational training model in Primary Care Advanced Practice.

### Mental health

147. During 2018/19, the Mental Health Services Redesign project researched and developed a new model of delivery. Within the 111 service, a Mental Health Hub has been created and was launched as a test of change in March 2019. The service is now operational for part of the week and is proving to be very effective in channelling callers directly to a service specifically designed to respond to those experiencing mental health distress.
148. The Hub model is part of a longer term project which aims to improve the integration of all NHS 24's Mental Health services.
149. Online self-help resources for Mental Health have been significantly enhanced during 2018/19. The Breathing Space service introduced a webchat channel to improve access to the service.



# 8. *Appendices*

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## Appendix 1: Respective responsibilities of the Board and the Auditor

### Responsibility for the preparation of the annual report and accounts

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

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

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

#### Board members are also responsible for:

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

### Auditor responsibilities

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

- they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 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;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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



## Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

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

## Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

### Confirmation of independence

We confirm that we have complied with the FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the Board, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.





## Appendix 2: Action plan

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

### Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

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



## Current year action plan

Action plan point	Issue & Recommendation	Management Comments
1. Unbalanced journal posting	<p><b>Issue</b> Data analysis performed as part of journal testing identified two journal postings, being the week 16 pay transaction, which appeared to be unbalanced or one-sided. The transactions had both been posted by an NHS National Services Scotland (NSS) user.</p> <p>Investigation found that the journal had been incorrectly posted to a job code not present on NHS 24's ledger but present on the NSS ledger. NSS users have access to their own ledger alongside other Board's including NHS 24. Communication with the National Systems Team, who manages the NSI eFinancials system, confirmed that the system would not reject a journal if one Board's cost centre was used and another Board's job code used.</p> <p>This means that rather than the transaction being unbalanced, NHS 24 could only view one side due to system permissions. We were able to confirm that these transactions had been appropriately posted and corrected.</p> <p>NSS provided NHS 24 with a formal response to the issues including confirmation that NSS Treasury staff have been reminded of the importance of using accurate job codes.</p> <p><b>Risk</b> Due to a lack of system access rights, there is a risk that NSS may be able to post transactions to NHS 24's ledger that NHS 24 cannot view increasing the risk of fraud or error in financial reporting.</p> <p><b>Recommendation</b> NHS 24 should work with NSS and the National Systems Team to confirm if changes could be made to current permissions to enable NHS 24 to be able to view all ledger transactions.</p>	<p>The exposure is limited to a few NSS staff who have access to both ledgers. The error was spotted and corrected by the controls NSS have in place to reconcile.</p> <p>The risk is a consequence of how the finance system has been configured at a national level. If the transaction record has an element that the user's security access does not have permission to view, then the whole transaction is excluded from what the user can view.</p> <p>There are two obvious ways to nullify this risk:</p> <ol style="list-style-type: none"> <li>1. NSS grants NHS24 access to NSS job codes.</li> <li>2. An added restriction is placed that would bar the posting of a NSS job code and NHS 24 cost centre.</li> </ol> <p>Discussions will need to take place with NSS and the National Systems Team to decide what is the best course of action.</p> <p><b>Responsible officer:</b> Deputy Director of Finance</p> <p><b>Implementation date:</b> September 2019</p>
Rating		
Grade 3		
Paragraph Ref		
20		



Action plan point	Issue & Recommendation	Management Comments
2. Property, Plant and Equipment (PPE)/Intangible Assets	<p><b>Issue</b> 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 a particular 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><b>Risk</b> There is a risk that assets within the annual accounts are not appropriately valued and depreciation rates are inaccurate.</p> <p><b>Recommendation</b> We would encourage the Board to review its asset register and write off any assets no longer in use and re-assess the useful life of those assets still in use but fully depreciated.</p>	<p>Assets with a zero net book value will be assessed in light of the technology refresh to see if it would be appropriate to amend the useful economic lives.</p> <p><b>Responsible officer:</b> Deputy Director of Finance</p> <p><b>Implementation date:</b> March 2020</p>
Rating		
Grade 2		
Paragraph Ref		
42		

Action plan point	Issue & Recommendation	Management Comments
3. User access reviews	<p><b>Issue</b> While NHS 24 formally monitors their own staff's access to the financial ledger, E-financials on a 6-monthly basis, they are not aware of how NHS National Services Scotland (NSS) monitors access of their staff who have access to NHS 24's ledger. Testing over journals identified that there had been a significant increase in the number of NSS users posting to NHS 24's financial ledger.</p> <p>We further noted that during 2018/19, NHS 24 had not performed a review of users for the purchase ordering system, PECOS.</p> <p><b>Risk</b> There is a risk that without performing regular reviews of users for key financial systems that inappropriate access or authorisation levels occurs.</p> <p><b>Recommendation</b> We would encourage NHS 24 to seek confirmation from NHS NSS that user access to NHS 24's ledger is monitored on a regular basis in order for NHS 24 to be able to promptly identify any unexpected or unusual transaction postings.</p> <p>We recommend that NHS 24 introduce a regular review of PECOS users to ensure access remains appropriate.</p>	<p>For PECOS, NHS 24 maintains a scheme of delegation that includes Finance sign off before a user can be added to PECOS. With the move to single PECOS the normal 6 monthly report from NSS was not sent in 2018/19. There was a thorough check of users prior to moving onto the updated version of PECOS.</p> <p>Periodic reviews, at least twice a year, will be re-instated by managers and Finance to ensure access remains appropriate.</p> <p>NSS have controls in place regarding user access to E-financials. NHS 24 has visibility of which user posted to the NHS 24 ledger for every transaction through E-financials. Reviews of user access will be incorporated into the customer care meetings between NSS and NHS 24 at least twice a year.</p> <p><b>Responsible officer:</b> Deputy Director of Finance</p> <p><b>Implementation date:</b> September 2019</p>
Rating		
Grade 2		
Paragraph Ref		
45		



Action plan point	Issue & Recommendation	Management Comments
4. Asset tagging	<b>Issue</b> We noted that the Board have not tagged all NHS 24 assets with unique numbers to ensure they can be readily identified and tracked.	NHS 24 will consider the process for asset tagging now that recruitment is underway within the facilities team. The location of assets in plant rooms and under floors require the involvement of facilities and IT
Rating	<b>Risk</b> There is a risk that without unique tags, NHS 24 cannot appropriately confirm the existence of Board assets or be able to effectively monitor their use.	<b>Responsible officer:</b> Deputy Director of Finance
Grade 2	<b>Recommendation</b> We would encourage NHS 24 to tag all assets with a unique asset number which is recorded on both the physical asset and the asset management system.	<b>Implementation date:</b> March 2020
Paragraph Ref		
103		



## Follow up of prior year recommendations

Of the two recommendations raised within our 2017/18 annual audit report, we note that one has been implemented and one has been partially implemented. Details are given below.

### 1. Reflection on and sharing of the Lessons Learned

Initial rating	Issue & recommendation	Management comments
<b>Grade 3</b>	<p><b>Observation</b></p> <p>The considerable resources and efforts expended over the past seven years in ultimately delivering a successful technology platform, offering the basis for ongoing innovation in the provision of health and social care services, must be recognised as should the experiences both good and bad.</p> <p>It is therefore critical that NHS 24 and the wider public sector adopt practices and structures in future programmes to clearly reflect the lessons learned from the NHS 24 experience.</p> <p><b>Recommendation</b></p> <p>The externally facilitated exercise is an opportunity for NHS 24 to clearly communicate with the public sector across Scotland and the wider UK on how the organisation has successfully delivered a highly complex project but also the pitfalls experienced on the way and how to avoid them in the future.</p> <p>Similarly in preparing the plans for the delivery of the Service Transformation Programme NHS 24 must clearly show it has learned from the past in terms of the resources, processes and governance structures put in place to ensure maximum chances of success.</p>	<p>The lessons learned exercise will be undertaken to allow communication to the public sector across Scotland and the wider UK on the programme</p> <p><b>Action owner:</b> Chief Executive</p> <p><b>Due Date:</b> Originally scheduled for 30 November 2018</p>
Current status	Audit update	Management response
<b>Partially Completed</b>	<p>NHS 24 is currently awaiting receipt of the externally facilitated Lessons Learned exercise. This has been escalated by both the Chief Executive and Director of Finance and Performance due to the report being significantly overdue.</p>	<p><b>Responsible officer:</b> Chief Executive</p> <p><b>Implementation date:</b> An update on progress will be presented at the Audit and Risk Committee meeting on 30 May 2019.</p>



## 2. Role and resourcing of the Design Authority

Initial rating	Issue & recommendation	Management comments
<b>Grade 2</b>	<p><b>Observation</b></p> <p>The revised direct contracts with the technology suppliers will result in NHS 24 being confirmed as fulfilling the role of the Design Authority in relation to the technology platform now successfully implemented.</p> <p>This role means that NHS 24 has responsibility for all future design implications arising from any system changes or upgrades. Given the complexity of the technical solution this should not be underestimated.</p> <p><b>Recommendation</b></p> <p>As part of the planning for the implementation of the Digital Roadmap, details of any future planned upgrades to the underlying technology should be identified and included to ensure that sufficient technical resource can be secured at the appropriate time to support any upgrade or transitional arrangements required.</p>	<p>The new contracts set out clearly the responsibilities of NHS 24 including how the design authority process will operate. NHS 24 is also preparing a new eHealth Strategy which will include an assessment and plan to deliver the required in-house capability to support these new arrangements.</p> <p><b>Action owner:</b> Chief Executive</p> <p><b>Due date:</b> 31 December 2018</p>

Current status	Audit update	Management response
<b>Complete</b>	As noted in paragraph 71 above, NHS 24 has developed new Digital and Technology Strategies. These strategies identify the Board's future requirements.	N/A

