

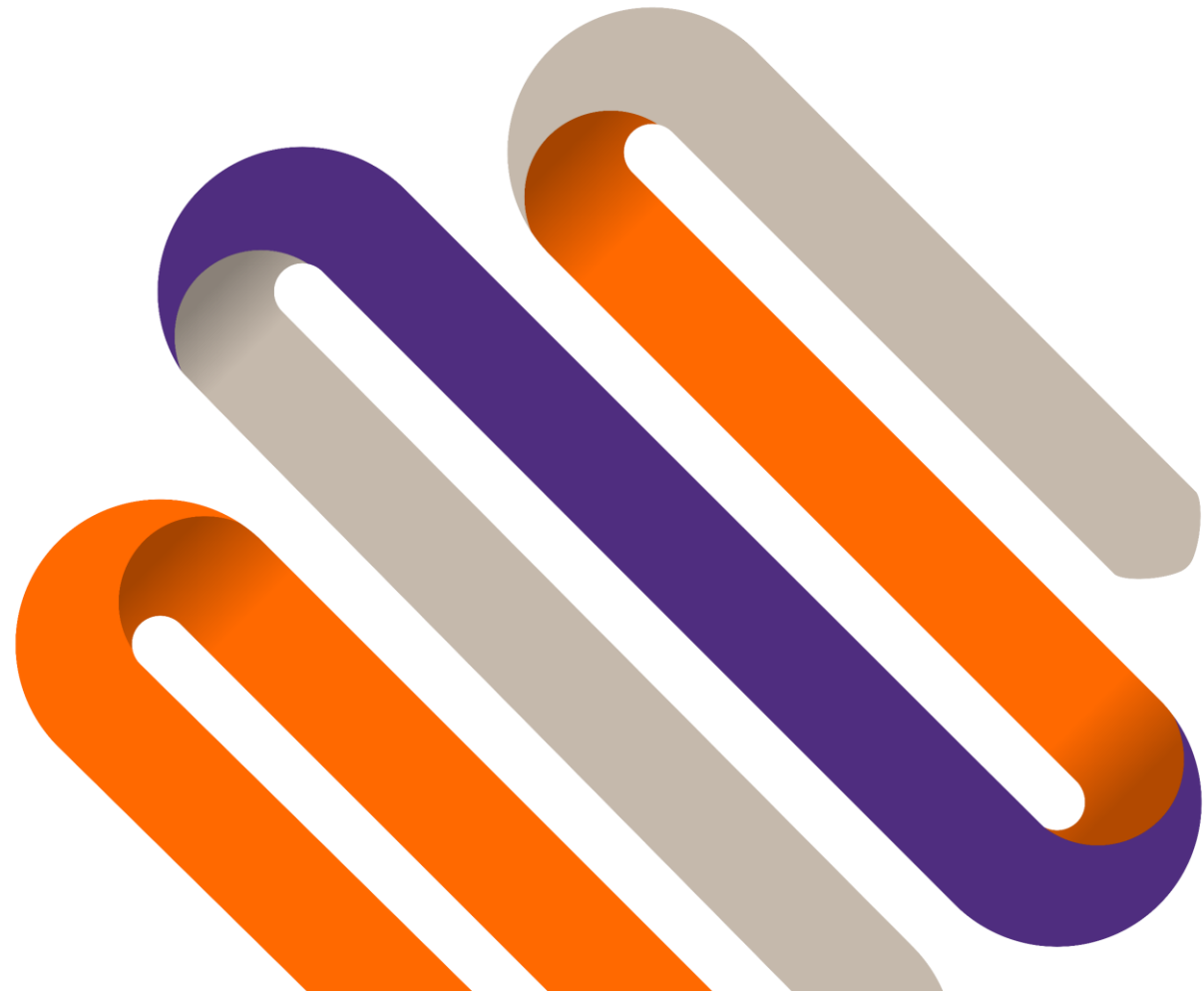
# NHS 24

**Internal Audit Annual Report 2018/19**

May 2019

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It is the responsibility solely of the NHS 24 management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

# Executive Summary

## Introduction

This report is our annual summary of the 2018/19 internal audit work carried out for NHS 24. Our work in the year was carried out in accordance with our 2018/19 internal audit plan, the final version agreed by the Audit and Risk Committee in September 2018. All reports have been presented to the Audit and Risk Committee following their agreement with Management.

Objective	Key Observations
Planned Audit Coverage and Output	<ul style="list-style-type: none"><li>We have delivered 130 internal audit days against a planned 152 days for the year. The residual 22 days relates to 10 days of contingency and 12 days in relation to ongoing work in relation to the service redesign phase 2 review which we will complete in June 2019.</li><li>Following the approval of the audit plan in September 2018 following our audit appointment, we have completed seven from our planned eight reviews. The outstanding review relates to the Service Redesign review – phase 2 for which the fieldwork is ongoing alongside project delivery.</li></ul>
Significant Outstanding Recommendations	<ul style="list-style-type: none"><li>From the reviews completed in 2018/19 we have raised no high priority recommendations.</li><li>This year we revised the approach to following up on recommendations as agreed with management and the Audit Committee. As a result, there has been a reduction of Internal Audit recommendations that are overdue. At the end of May 2019 there were 6 outstanding recommendations that are past their due. We are aware management are working to implement these. Details of recommendations outstanding were presented to the May 2019 Audit and Risk Committee and two monitoring reports have been presented to the Audit and Risk Committee throughout the year.</li></ul>
Performance of Internal Audit	<ul style="list-style-type: none"><li>Our internal audit service has complied with NHS Internal Audit Standards and public sector internal audit standards throughout 2018/19.</li><li>Our performance against an agreed suite of Key Performance Indicators (KPIs) agreed with the Audit Committee during the year as shown in Appendix 4.</li></ul>

# Executive Summary

Objective	Key Observations
Head of Internal Audit Opinion	<p>The Head of Internal Audit's Opinion is set out in pages 11 to 14 of this report.</p> <p><b><i>Our overall opinion for the period 1 April 2018 to 31 March 2019 is that based on the scope of reviews undertaken and the sample tests completed during the period, that reasonable assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</i></b></p> <p><b><i>Two reviews: General Data Protection Regulations and Information Governance, and Service Redesign, have overall internal audit conclusions of partial assurance. Actions are in progress to address the weaknesses identified during the review and these are not considered significant to change our overall opinion. In addition, we do not consider these to merit attention in the governance statement.</i></b></p> <p>Our work has been carried out in accordance with Grant Thornton's internal audit methodology, which conforms to the requirements of the NHS Internal Audit Standards and Public Sector Internal Audit Standards (PSIAS). Our work and reports are not designed to comply with the International Framework for Assurance Engagements (IFAE) or the International Standard on Assurance Engagements (ISAE) 3000.</p> <p>We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.</p> <p>We have not given any 'no assurance' (red rated) reports during the year. Our internal audit programme included a review of the Project Management Office (PMO). While an advisory review, this has also informed our overall audit opinion. We have continued to focus our attention on the high risk areas where our work can have the most significant impact.</p>

## Acknowledgement

This report is our annual summary of the internal audit work carried out for NHS 24 this year. We would like to thank the Audit and Risk Committee and all members of staff who we have worked with during the year.

# Planned Audit Coverage and Output

## Summary of our 2018/19 Internal Audit work

The Internal Audit Plan for 2018/19 was presented to the Audit and Risk Committee in April 2018. The plan was developed from a comprehensive set of meetings with the Executive Team, Non Executive Directors and senior managers and a review of key documentation, including the Public Sector Internal Auditing Standards (PSIAS) and NHS Internal Audit Requirements, Corporate Risk Register, Board papers and NHS 24's strategic priorities. We presented our draft plan to the NHS 24's Management Team prior to this being approved from the Audit and Risk Committee.

The 2018/19 Annual Audit Plan was for 152 days of internal audit coverage in the year. 7 audits have been completed by the end of the year and one is still in progress.

We made 10 recommendations to management to help to address weaknesses in the design of and/or operation of controls, and to highlight opportunities to improve the performance of NHS 24's processes.

It is important to recognise that while this analysis can be used by the NHS 24 to track implementation progress of recommendations in future periods, it cannot be taken as an indicator of relative performance, either with previous years, or with other similar organisations. The number of recommendations is a function of the improvement-focused nature of our audit approach, the particular areas approved for review by the Audit and Risk Committee this year, and the extent of change facing NHS 24.

Of the 7 audit reports detailed in the table below, no instances of fraud or other loss were identified as a direct result of our testing. The table on the following page summarises the individual assessments arising from audit assignments, contained within the risk-based audit plan, that have been reported throughout the year and our conclusion on the level of assurance provided.

# Planned Audit Coverage and Output

Overview of Internal Audit Coverage during 2018/19:

Project	Overall level of assurance provided	Number of risk rated recommendations			
		High	Medium	Low	Improvement
Six monthly follow up	Follow up report therefore no overall assurance rating	0	6	3	0
Service model – Delivery (Phase 1)	Reasonable assurance	0	1	2	0
Financial Controls - Payroll	Significant assurance with some improvement required	0	0	2	0
GDPR compliance and information governance compliance*	Reasonable assurance	0	0	2	0
PMO Arrangements	Advisory report therefore no overall assurance rating	0	0	0	7
Financial sustainability	Significant assurance with some improvement required	0	0	1	1
Governance	Significant assurance with some improvement required	0	0	2	0
Service model – Delivery (Phase 2)	Fieldwork nearing completion	N/A	N/A	N/A	N/A

\* Includes two recommendations (one medium risk), relating to information governance follow up which remain outstanding. Included in six monthly follow up figures above.

# Planned Audit Coverage and Output

## Audit plan and actual input

The 2018/19 Annual Audit Plan included a budget of 152 days, including 10 days for contingency. Appendix 1 shows a detailed analysis of how the budgeted time was spent.

## Quality control

Our aim is to provide a service that not only meets your needs but also maintains consistently high standards. This is achieved through the following internal processes:

- preparation of a detailed audit plan which is reviewed by the Head of Internal Audit, and discussed with Management prior to submission to the Audit and Risk Committee for approval;
- regular review of progress against the plan to ensure we are delivering the work we have promised;
- a tailored audit approach using a defined methodology and assignment control documentation which is subject to our internal review protocol;
- the use of qualified, highly trained and experienced staff;
- monitoring of performance against targets;
- review of all audit files and reports by the Head of Internal Audit and Senior Audit Manager.

## Staffing

You want us to make a positive contribution. To ensure this we use people with an appropriate levels of expertise. We have summarised below our team that has worked for you in 2018/19:

- **Joanne Brown**, Head of Internal Audit, has overall responsibility for the delivery of our internal audit service to you. Darren has attended Audit and Risk Committee meetings, monitored overall progress of the delivery of the audit plan, and liaised with the Chief Executive, Director of Finance and Chair of the Audit and Risk Committee with regards the audit plan and key risks and challenges facing the organisation.
- **John Boyd** (Internal Audit Senior Manager) have been the key liaison with you, planning and co-ordinating and quality review work and personally undertake higher-level and more complex reviews.
- All other staff completing the onsite work are either ACA or CIPFA qualified, or studying towards these qualifications.

We can confirm that we have continued to comply with the Public Sector Internal Audit Standards throughout the year.

All staff working on NHS 24's audit have received training on our Internal Audit Manual, and NHS sector issues during 2018/19.

# Recommendations

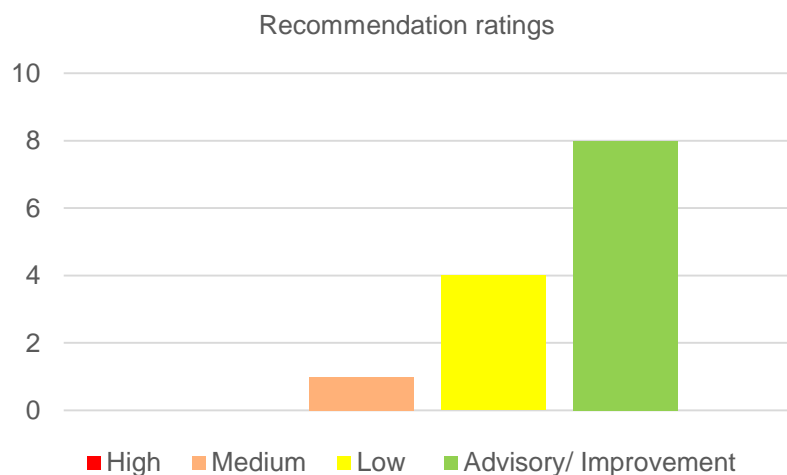
## Recommendations

Our overall opinion is based on the conclusions of our individual assignments, including any matters which we wish to draw to the attention of the Audit and Risk Committee regarding fundamental issues raised or significant weaknesses identified.

In reaching our overall opinion we considered the overall level of assurance provided for each area reviewed and the number and significance recommendations raised.

During 2018/19 we issued 7 internal audit reports. The table on page 6 sets out the summary of assurance ratings provided.

During our audit fieldwork we have not raised any 'high' rated risk recommendations and we have not identified any reviews where we have been unable to provide assurance over the areas subject to review.



While we have not identified any 'high' rated risk recommendations we highlight two reviews that indicate areas of focus for the Audit and Risk Committee and NHS 24:

### Service Redesign – Phase 1

- The service redesign programme represents a significant transformation across NHS 24 involving the redesign of the service delivery model as well as the clinical supervision and staff rotas.
- While we have evidenced the programme has been well managed, there are opportunities for strengthening project management disciplines such as documentation and coordination of project activities. Our Phase two work will report to the Audit and Risk Committee in Audit 2019.

### Project Management Office

- Our consultancy report made a number of recommendations to NHS 24 around opportunities for enhancing project governance and project management arrangements.
- The role and responsibilities of the PMO should be clearly defined and incorporated into a project governance framework to ensure change activity across NHS 24 is subject to appropriate governance and scrutiny

### GDPR and information governance

- NHS 24 has made good progress in establishing arrangements to meet the requirements of General Data Protection Regulations (GDPR). However, further work is required to address outstanding internal audit recommendations around wider information governance including staff awareness of revised policies and procedures.



# 2018/19 Head of Internal Audit Opinion

## Basis of Opinion for the year ending 31 March 2019

This report is our annual summary of the internal audit work carried out for NHS 24 this year. All reports have been presented to the Audit and Risk Committee following their agreement with Management.

Our internal audit work was carried out in accordance with the Grant Thornton Internal Audit methodology, which complies with the Public Sector Internal Audit Standards (PSIAS). Our work was not designed to and therefore it does not comply with the International Framework for Assurance Engagements (IFAE) or International Standard on Assurance Engagements (ISAE) 3000.

In carrying out our work we are required to comply with applicable ethical standards, including being independent from NHS 24.

## Roles and responsibilities

The NHS 24 Board is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Board, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process;

- the conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

NHS 24's Assurance Framework should bring together all of the evidence required to support the Annual Governance Statement requirement.

The Head of Internal Audit is required to provide an annual opinion in accordance with the PSIAS, based upon and limited to the work performed, on the overall adequacy and effectiveness of NHS 24's risk management, control and governance processes (otherwise known as the system of internal control).

The purpose of the Head of Internal Audit's Opinion is to contribute to the assurances available to the Accountable Officer and the Board, which underpin the Board's own assessment of the effectiveness of internal control. This Opinion will in turn assist the Board in the completion of the Annual Governance Statement (AGS).

The Opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. It is achieved through the delivery of a risk based programme of compliance, assurance and advisory work, agreed with Management and approved by the Audit and Risk Committee.

# 2018/19 Head of Internal Audit Opinion

## Operational Assurance

A number of operational matters have been considered as the contextual setting for our Head of Internal Audit Opinion including:

- NHS 24 is currently undertaking a significant transformational programme through the Service Redesign Programme. The programme is anticipated to deliver significant changes to operational delivery as well as quality of patient care. As part of the programme NHS 24 is undertaking a review of staff shifts to deliver a range of operational, logistical and financial benefits to NHS 24. During 2018/19 we completed phase 1 internal audit review of the programme, focusing on programme governance and risk. We are in the process of completing the fieldwork of Phase 2 of the review and our findings will be distributed to Audit and Risk Committee members in August 2019.

## Opinion

The basis of our opinion includes an assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas.

## Supporting processes

NHS 24 undertook a self-assessment of its governance arrangements against the Scottish Government's Blueprint for Good governance. The assessment found that there were no areas in the assessment where NHS 24 doing 'not well' or 'badly'. There were four areas identified as being 'inconsistently' applied by NHS 24. For those areas where there were identified opportunities for enhancing governance arrangements, an action plan is in place to deliver these.

## The range of individual opinions arising from risk-based audit assignments reported throughout the year

We issued two 'Reasonable' and no "No assurance" opinion reports in respect of our 2018/19 reviews. We raised 0 high risk recommendations in respect of our 2018/19 reviews. We have also issued an internal audit advisory report in relation to NHS 24's Project Management Office.

During the year good progress has been made in reviewing and following up outstanding internal audit recommendations and number of recommendations have now been confirmed as having been completed.

*"Our overall opinion for the period 1 April 2018 to 31 March 2019 is that based on the scope of reviews undertaken and the sample tests completed during the period, that reasonable assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.*

*Two reviews: General Data Protection Regulations and Information Governance, and Service Redesign, have overall internal audit conclusions of partial assurance. Actions are in progress to address the weaknesses identified during the review and these are not considered significant to change our overall opinion. In addition, we do not consider these to merit attention in the governance statement."*

# Appendices

# Appendix 1 – Analysis of time spent

The table below details the time spent compared to budgets for individual assignments

Review	2018/19 Budget Days	2018/19 Actual Days	Variance	Explanation
Service model – Delivery (Phase 1 and 2)	40	28	12	Phase 2 work ongoing and final report will be issued to Audit and Risk Committee members in August 2019
Financial Controls	12	12	0	
GDPR compliance and information governance compliance	20	20	0	
PMO Arrangements	15	15	0	
Financial sustainability	12	12	0	
Governance / governance structure of national board collaboration work	20	20	0	
Follow up – six monthly	8	8	0	
Audit Strategy, Planning and Liaison, Attendance at Audit Committee	15	15	0	
Contingency	10	-	10	No contingency utilised
<b>TOTAL</b>	<b>152</b>	<b>130</b>	<b>22</b>	

# Appendix 2 - Performance of Internal Audit

The table below details our performance against key performance indicators.

Key performance indicator	Target	2018/19 Performance	Explanation
Completion of the audit programme	100%	87.5%	Service Redesign Review Phase 2 fieldwork ongoing. Will be finalised in June 2019.
At least 90% of the audit input is provided by the core team and continuity is maintained year on year	90%	100%	
Percentage of audit recommendations accepted by management	95%	100%	
The annual internal audit plan is presented and approved by the Audit and Risk Committee before the start of the audit year (from 19/20 onwards given 18/19 timing)	To be presented prior to start of financial year	Complete	
Draft reports are issued at least 15 working days on completion of fieldwork	100%	100%	
Proportion of due recommendations followed up by each Audit Committee	100%	100%	All recommendations due are followed up in advance of Audit Committees.
The Annual Internal Audit Report and opinion is presented to the April meeting of the Audit & Risk Committee	MET	MET	
Your satisfaction of our service	8/10	N/A	Currently developing a automated survey questionnaire to provide feedback post individual reviews. Will be implemented for 2019/20 audit programme.
Management responses are received within 15 working days and a final report issued within 5 working days	100%	MET	
Audit and Risk Committee meetings are attended by the Chief Internal Auditor or Senior Audit Manager	3	3	

# Appendix 3 - Our assurance levels

Table 1 shows the levels of assurance we provide and guidelines for how these are arrived at for individual assignments.. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment. We also include recommended follow up arrangements.

**Table 1 – Review level assurance**

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations. Might be indicated through reviews of Significant Assurance with some improvement required.</p>
Reasonable / partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations. Might be indicated through reviews with an overall conclusion of Partial Assurance with improvement required.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HGH rated recommendations.</p>

# Appendix 3 - Our assurance levels – Cont'd

Table 2 – Recommendation priorities

Rating	Description	Features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>• Key control not designed or operating effectively</li> <li>• Potential for fraud identified</li> <li>• Non-compliance with key procedures / standards</li> <li>• Non-compliance with regulation</li> </ul>
<b>Medium</b>	Important findings that are to be resolved by line management.	<ul style="list-style-type: none"> <li>• Impact is contained within the department and compensating controls would detect errors</li> <li>• Possibility for fraud exists</li> <li>• Control failures identified but not in key controls</li> <li>• Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures.	<ul style="list-style-type: none"> <li>• Minor control weakness</li> <li>• Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> <li>• Information for department management</li> <li>• Control operating but not necessarily in accordance with best practice</li> </ul>

# Appendix 4 Responsibilities and audit approach

## Introduction

Grant Thornton UK LLP is the appointed Internal Auditor NHS 24 for the period 1 April 2018 to 31 March 2021

This report summarises the findings and conclusions of our work during the year together with our internal audit opinion and our overall assurance commentary, as required by Public Sector Auditing standards

## Responsibilities

It is the responsibility of the NHS 24 Board and management to ensure that has adequate and effective risk management, control and governance processes.

In fulfilling its responsibilities, the NHS 24 Board is responsible for determining the nature and extent of the significant risks to achieving its strategic objectives. The Board should maintain sound risk management and internal control systems and should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the NHS 24's auditors.

Our role as internal auditor to NHS 24 is to provide an independent and objective opinion to the NHS 24 Board and the Chief Executive as Accounting Officer on risk management, control and governance processes.

## Internal audit approach

We have conducted our audit in compliance with best professional practice, in particular, the Public Sector Internal Audit Standards.

We have reviewed the control and activities established by NHS 24 to manage the risks that it has identified to its business objectives as set out in the 2018/19 Annual Internal Audit Plan, approved by the Audit and Risk Committee.

This report is made solely in relation to those business areas and risks reviewed in the year, and does not relate to any of the other operations of NHS 24 .

We adopted a risk based approach to our work which required us to:

- establish the controls and activities in place to address the key business risks in each area under review
- interview key staff to gain an understanding of the adequacy of controls and activities in place to manage the risks in each area under review
- review certain key documents to confirm the existence and operation of the controls and activities identified
- where applicable, perform tests to determine whether the controls and activities have operated as expected during the period.

Together these and other such procedures as we considered necessary, enabled us to evaluate whether the control policies and procedures were suitably designed to meet the risk objectives and whether these control policies were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that those risk management objectives were achieved during the period reviewed. Some of our conclusions are based on samples selected from the year's transactions. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed.

In common with most organisations, the control environment at NHS 24 depends on the competence of its staff and compliance with procedures. Changes in staff, staff absences and, in extreme cases, collusion and/or deliberate actions by key individuals can corrupt it. The day-to-day maintenance of the control environment therefore depends on management control and supervision.





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