



NHS 24

Internal Audit Annual Report 2019-20.

2 August 2020 – FINAL REPORT

Contents

The contacts at Grant Thornton in connection with this report are:

Joanne Brown

Partner

T: 0141 223 0848

E: joanne.e.brown@uk.gt.com

John Boyd

Internal Audit Manager

T: 0141 223 0844

E: john.p.boyd@uk.gt.com

Jamie Fraser

Audit Associate

T: 0141 223 0886

E: jamie.a.fraser@uk.gt.com

1 Executive Summary

2 2019/20 Head of Internal Audit Opinion

3 Summary of Work

4 Appendices

This report is confidential and is intended for use by the management and directors of NHS 24. It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

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

Introduction

This Annual Report is our summary of the internal audit work carried out for NHS 24 during the year ending 31 March 2020, including our overall opinion on NHS 24's internal control system. Our work in the year was carried out in accordance with our 2019/20 internal audit plan, the final version agreed by the Audit and Risk Committee in June 2019. Due to Covid the full programme was not completed. See details reported within this report. The cyber report is only presented to the June Audit and Risk Committee as a draft. Once this report is finalised we will then be able to finalise and report our final annual report and opinion.

Internal audit work was carried out in accordance with our Internal Audit methodology, which complies with Public Sector Internal Audit Standards (PSIAS). Our work was not designed to, and therefore, 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 ensuring our independence from NHS 24.

Responsibilities

Grant Thornton UK LLP is the appointed Internal Auditor for NHS 24 for the period 1 April 2018 to 31 March 2021. 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 the Accountable Officer on risk management, control and governance processes.

It is the responsibility of the NHS 24 Board and management to ensure that there are adequate and effective risk management, control and governance processes. 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. This includes establishing 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 us as your internal auditors.

Approach

We have reviewed the control activities established by NHS 24 to manage the risks that it has identified to its strategic objectives and we adopted a risk based approach to our work which required us to:

- establish the controls and activities in place to address the key risks in each area under review
- interview key staff members to gain an understanding of the adequacy of controls and activities in place to manage the risks in each area under review
- review 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 individuals can impact the control environment. The day-to-day maintenance of the control environment, therefore, depends on management control and supervision.

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.

2019/20 Head of Internal Audit Opinion

Basis for Opinion

The Head of Internal Audit is required by PSIAS to provide the NHS 24 Audit & Risk Committee with an annual opinion, 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).

In giving our 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 whole system of internal control, limited to our work completed.

In assessing the level of annual assurance, we have taken into account an assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the year. This included any scope limitations imposed by management alongside the results of our internal audit follow up work during the year. The assessment has also taken account of the relative materiality of these areas and managements progress in respect of addressing control weaknesses alongside the effect of any significant changes in NHS 24's objectives or systems.

In my professional judgement as Chief Audit Executive (Head of Internal Audit), sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. These conclusions are only relevant to the work completed in year, as set out in the individual internal audit scopes.

Internal Audit Opinion

Our overall opinion is set out as follows. This is supported by our basis for opinion and commentary provided.

"Our overall opinion for the period 1 April 2019 to 31 March 2020 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.

The 5 reviews conducted were: Financial Reporting Arrangements, Risk Maturity Assessment, Workforce- Attendance Management, Estates Strategy and Cyber Security Arrangements. Our 5 reviews identified 23 recommendations for management. Of these, 1 was considered high risk and was in relation to inconsistent absence management arrangements.

Actions are in progress to address the weaknesses identified during the reviews 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."

The table at Page 7 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."

The opinions from our individual assignments represent operational areas which require improvement in NHS 24 going forward, but are not significant to the governance statement. We would not expect the issues identified to appear in the Governance Statement. We undertook follow up work in November. Follow up planned for April was paused due to the Covid pandemic. We continue to follow up on the implementation of internal audit recommendations and will report this to the Audit Committee at least every 6 months.

Summary of Work

Planned Audit Coverage and Output

Summary of our 2019/20 Internal Audit work

The Internal Audit Plan for 2019/20 was presented to the Audit and Risk Committee in June 2019. The plan was developed through meetings with the Executive Team, senior managers and members of the Audit and Risk Committee. In addition we reviewed key documentation, including the PSIAS and NHS Internal Audit Requirements, risk management framework, Corporate Risk Register, Board papers and NHS 24's strategic priorities. We presented our draft plan to NHS 24's Executive Team prior to this being approved from the Audit and Risk Committee.

The 2019/20 Annual Internal Audit Plan was for 156 days of internal audit coverage in the year. Five audits have been completed by the end of the year.

Appendix 1 shows analysis of how the budgeted time was spent.

We made 23 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 NHS 24 to track progress of implemented 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 five audit reports detailed in the table on page six, no instances of fraud or other loss were identified as a direct result of our testing.

Independence

Public Sector Internal Audit Standards (PSIAS) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2019/20 internal audit reviews were independent of NHS 24 and their objectivity was not compromised in any way.

Internal Audit Plan 19/20 Changes

As a result of the Covid-19 pandemic we worked closely with management and paused any internal audit work that would take the time and/or attention away from the front-line staff and those involved in ensuring the delivery of NHS 24 services. As a result reviews have been deferred into 2020/21 where we re-assess whether these should be completed based on the risk profile of NHS 24 and how that evolves. Reviews impacted were: Connect programme, Mental Health Strategy and Stakeholder engagement.

Conformance with Public Sector Internal Audit Standards

We confirm that our internal audit service generally conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards.

Key performance indicators

We use a suite of Key Performance Indicators (KPIs) to monitor the quality of the internal audit service. These are presented to each meeting of the Audit & Risk Committee. Appendix 2 includes a summary of performance against the KPIs. We would welcome any comments on the KPIs currently used.

Summary of Work - Internal Audit Reviews

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 of recommendations raised.

During 2019/20 we prepared a report for each of the internal audit reviews completed and presented these reports to the Audit & Risk Committee. Where relevant, all reports contained action plans detailing responsible individuals within NHS 24 and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit & Risk Committee. We made no significant recommendations that were not accepted by management.

The table below sets out a summary of the main findings for each of the internal reports presented to management and the Audit and Risk Committee throughout the year. The table on page seven sets out the summary of the number of recommendations raised and the assurance ratings provided.

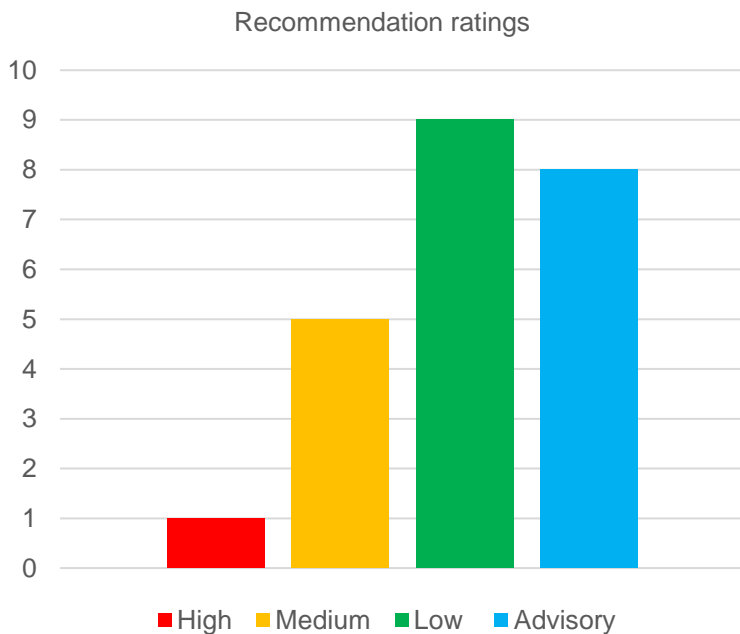
Review	Main Findings
Financial Reporting Arrangements	This review considered the Board's readiness for IFRS 16 implementation / financial reporting and budgetary controls arrangements within directorates. It was found that work is underway to improve financial reporting at NHS 24 and management are working proactively to improve the efficiency of existing controls. Management are also working to build consensus with other health boards around the changes being brought by the IFRS 16 reporting requirements. A number of low risk areas for improvement were identified including documentation of remaining actions and the timeline for management approvals required prior to Scottish Government.
Risk Maturity Assessment	Our review supported Management's self-assessment against the risk maturity framework and highlighted that NHS 24 demonstrates the characteristics of a 'Risk managed' organisation. From the areas considered, no high risk issues were raised with regards to risk management at NHS 24 however there were opportunities to further develop and embed NHS 24's risk management arrangements in the organisation.
Workforce- Attendance Management	This review followed up on our audit work on the Service Delivery model focusing on NHS 24's workforce planning and management arrangements. Our review of the design and operating effectiveness of the Board's Attendance Policy within the Cardonald and East Contact Centres identified multiple instances where key controls were not operating as expected. Most notably, there were issues found with the accuracy of reporting of absences and the quality of information evidenced by managers on systems. This highlighted the need for behavioural changes to pro-actively manage absences on eESS and consistently follow policy requirements.
Estates Strategy	We undertook a review of the design and effectiveness of the controls operating in relation to the management and governance of the NHS 24's Estates Programme. It was clear that much work has gone into delivering the Estates Programme within tight deadlines, with a dedicated Estates Programme Board (EPB) leading the efforts of the organisation.
Cyber Security Arrangements	During 2020, the revised NHSS Information Security Policy Framework (ISPF) Guidance (July 2018) is to be adopted by health boards. Our review assessed the adequacy of the design and effectiveness of key internal controls over NHS 24's cyber security governance arrangements against the 2018 ISPF. While we noted examples of continuous improvements in NHS 24's information security management system (ISMS) through reporting to the Performance and Planning Committee, our review of controls against the 2018 ISMF noted areas that require to be enhanced in order to mature control management arrangements.

Summary of Work - Individual Audit Reviews

Overview of Internal Audit Coverage during 2019/20. For further details on the levels of assurance provided and risk rating of recommendations, please see Appendix 4.

During our audit fieldwork we raised 1 'high' rated recommendations in relation to inconsistent absence management resulting in inaccuracies on the eESS system. This was attributed to inconsistent application of policy documentation and lack of proactive maintenance of absence records. Suitable actions were agreed and we understand the Interim Director of HR has progressed these recommendations and staff governance committee are aware of progress and the further plans to strengthen the control environment.

The table and graph set out the summary of the number of recommendations raised and the assurance ratings provided.



Review	Rating	Number of risk rated recommendations			
		High	Medium	Low	Advisory
Workforce-Attendance Management	Reasonable assurance with improvement required	1	1	2	-
Cyber Security Arrangements	Reasonable assurance with improvement required	-	4	2	-
Financial Reporting Arrangements	Significant assurance with improvement required	-	-	4	1
Estates Strategy	Significant assurance	-	-	1	-
Risk Maturity Assessment	Significant assurance with some improvement required	-	-	-	7
Total:		1	5	9	8

Appendices

Appendix 1 - Performance of Internal Audit

The table below details our performance against key performance indicators.

Key performance indicator	Target	2019/20 Performance
The annual internal audit plan is presented and approved by the Audit and Risk Committee before the start of the audit year	100%	Internal Audit Plan was presented in June 2019 to the Committee for final approval following a draft at the March Committee being discussed.
90% of the audit input is provided by the core team and continuity is maintained year-on-year	90%	Target met – Internal Audit delivered by core team and continuity maintained.
Assignment plans will be drafted, agreed and formally signed off by the Audit Sponsor and copied to the Director of Finance prior to the start of each assignment.	100%	Met
For each assignment, a close-out meeting will be held to discuss the initial audit findings within five days of completion of the audit fieldwork.	100%	Met
Draft reports are issued 15 working days on completion of fieldwork	100%	Met. Although there was discussion on the absence management report, which delayed a final draft being issued.
Management responses are received within 15 working days and a final report is issued within 5 working days	100%	Yes apart from the Cyber report which was impacted due to Covid-19.
At least 95% of audit recommendations are agreed with and accepted by management	95%	100% of recommendations have been agreed.
All Audit and Risk Committee meetings are attended by the Chief Internal Auditor	100%	75% achieved. Where not in attendance the Senior Manager attended.
All internal audit outputs are finalised and submitted to you at least 7 working days before the Audit and Risk Committee meeting	100%	Met
Follow up of previous internal audit recommendations will take place prior to each audit committee and a report on progress will be presented.	75%	This has been impacted due to Covid-19 and other areas of priority for management. Agreed will review and report on internal audit 6 monthly.

Appendix 2 - Our Annual Opinion Assurance Levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels.

Rating	Description
Reasonable 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 Significant Assurance reports.</p>
Partial assurance	<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 Significant and Partial Assurance reports.</p>
Limited 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 Significant, Partial and No Assurance reports.</p>

Appendix 3 - Our IA Report assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

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 required	<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.</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.</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 HIGH rated recommendations.</p>

The table below describes how we grade our audit recommendations based on risks:

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Advisory	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice

