



NHS 24

2021/22 Annual Audit Report to the Board and the Auditor General for Scotland

June 2022



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Key messages

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This report concludes our audit of NHS 24 for 2021/22.

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

Financial statements audit

Audit opinion	<p>Our independent auditor's report includes:</p> <ul style="list-style-type: none">• An unqualified opinion on the financial statements;• An unqualified opinion on regularity; and• An unqualified opinion on other prescribed matters.
Key findings on audit risks and other matters	<p>All key financial targets were met in 2021/22. NHS 24 achieved an underspend against its revenue resource limit of £0.103 million and a breakeven position against its capital resource limit of £3.062 million.</p> <p>The annual report and accounts were approved by the Board on 16 June 2022. We reported within our independent auditor's report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.</p> <p>The annual accounts and supporting schedules were of a high standard. Our thanks go to staff at NHS 24 for their assistance with our work.</p>
Accounting systems and internal controls	<p>We have applied our risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Board's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit

Auditor judgement



Financial Sustainability

NHS 24 is forecasting a breakeven position for the next year.

Funding of pay and associated costs is identified as a high risk to NHS 24's ability to achieve its financial target in 2022/23, due to the public sector pay uplifts being higher than anticipated.

Our assessment takes cognisance of the external pressures on NHS 24 and the health sector as a whole which includes the challenge to balance available resources with maintaining an effective service.

Auditor judgement



Financial Management

NHS 24 has generally effective arrangements in place for financial management and the use of resources, although it did not deliver all planned savings recurrently in the year.

The Board met its key financial targets in the year 2021/22, delivering an underspend against its revenue resource limit and a breakeven position against its capital resource limit.

Auditor judgement



Governance & Transparency

NHS 24 has appropriate governance arrangements in place.

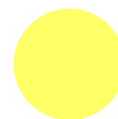
Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.

NHS 24 has continued to operate effectively throughout the pandemic and have moved towards a "business-as-usual" management of Covid-19. The Board has been identifying new ways of working and managing the impacts of Covid-19 in an effective manner.



Value for Money

Auditor judgement



The Covid-19 pandemic increased the challenges faced by NHS 24 in meeting its performance targets due to a significant increase in the demand for its services. A number of targets were not achieved this year.

NHS 24 has a key, ongoing role in supporting national change, including as a result of how the pandemic has impacted national service redesign.

Definition

We have used the following grading structure to provide an overall assessment of the arrangements in place as they relate to the four dimensions of the wider scope audit.



Introduction



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



Scope

- 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 2021/22 annual report and accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring the Board’s participation in the National Fraud Initiative (NFI);
 - work as directed by Audit Scotland on equalities; and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

- NHS 24 is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does
- not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

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

Openness and transparency

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

Adding value through the audit

7. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

8. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Annual report and accounts



The Board'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 2021/22 annual report and accounts.

Annual report and accounts

Our audit opinions

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	<p>We have issued unqualified audit opinions.</p>
Regularity	<p>We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.</p>	<p>We did not identify any instances of irregular activity.</p> <p>In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.</p>
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the board's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the board.</p>	<p>We reviewed the financial forecasts for 2022/23. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that there are no material uncertainties relating to going concern and management's use of the going concern basis of accounting is appropriate.</p>

Opinion	Basis for opinion	Conclusions
<p>Matters prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • Remuneration and Staff Report • Performance Report • Governance Statement 	<p>We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us while performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with directions from Scottish Ministers.</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • 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. • the information given in the performance report has been prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements. • the information given in 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.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the 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. 	We have no matters to report.

An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee at the outset of our audit. 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.
- 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.

- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through reviewing the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

14. The significant risk areas described in the table below 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 below.

Significant risk areas

Management override	
<p>Significant risk description</p>	<p>In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements.</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override the board's controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Review of the board's accounting records and audit testing on transactions. • Adoption of data analytics techniques in carrying out testing. • Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included consideration of the prior year estimates against the current year estimates.
<p>Key observations</p>	<p>We have not identified any indication of management override in the year leading to material misstatement or significant concern. We have reviewed the Board's accounting records and obtained evidence to ensure that transactions outside normal processes were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in</p>

Significant risk areas

the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Revenue recognition

Significant risk description

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

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and prepayments around the year end.

Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.

Key observations

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.

Significant risk areas

Expenditure recognition

Significant risk description

As most public sector bodies are net spending bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consider the board's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to identify any indication of understatement of balances held through consideration of accounting estimates.

Key observations

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

Significant risk areas

Provisions - CNORIS (significant accounting estimate)

Significant risk description

The Board in its financial statements includes provisions for legal obligations, for example in respect of clinical and medical obligations and participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme).

There is a significant degree of subjectivity in the measurement and valuation of provisions. This subjectivity represents an increased risk of misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.

Audit procedures

- Review management's estimation for the provision and related disclosures
- Consider compliance with the requirements of the FReM and NHS Manual for Accounts.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Key observations

We are satisfied that the amount recognised as a provision appropriately reflects the amounts notified by the Central Legal Office (CLO). We have reviewed management's estimation of the provision and related disclosures, and are satisfied that these comply with the requirements of the FReM and NHS Manual for Accounts.

Audit Scotland undertakes an annual review of the work carried out by the CLO to establish the extent to which the information they provide as a management expert can be used as audit evidence under ISA (UK) 500 and evaluate the appropriateness of the methodology adopted by Scottish Government to estimate the total national obligation. Audit Scotland has concluded that the CLO is objective, has sufficient expertise and the capability, time and resource to deliver reliable information. Their review did not identify any issues in the methodology used by Scottish Government, however noted that due to the impact of Covid-19 a simplified

Significant risk areas

methodology had been used which was deemed reasonable in the circumstances.

The ongoing impact of Covid-19

Significant risk description

The Covid-19 pandemic continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced; systems and processes have been amended to support remote working; arrangements for governance, decision making and performance management have been adapted; and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the health sector as a whole as a result of the pandemic, there is an inherent fraud risk associated with the financial sustainability of the board and over the arrangements for governance.

Audit procedures

- We have reviewed the impact of the pandemic on the governance which is covered in more detail in the governance section of this report.
- We reviewed the financial forecasts for 2022/23.

Key observations

We have reviewed the impact of Covid-19 on NHS 24 and its ability to deliver its services. Throughout the year NHS 24 has continued to operate and to deliver its services through the pandemic.

An overview of the scope of our audit

15. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Risk Committee in February 2022. 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.
16. 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.
17. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we have applied the concept of materiality, which is explained below.
18. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
19. As part of audit planning we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates, aspects of leases, provisions for legal obligations and doubtful debts, and accruals. Other than asset valuations and provisions for legal obligations, we have not determined the accounting estimates to be significant. We revisited this assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.
20. Our audit work consisted of reviewing these keys areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorising each area as either Prudent, Balanced or Optimistic.

Estimates and judgements

18. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.

Estimates and judgements

Provisions

Balanced

Significant estimates were made in relation to the valuation of liabilities related to the Board's membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). These estimates were informed by advice from qualified, independent experts.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

Our application of materiality

21. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout the audit.
22. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Board and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.
23. Our initial assessment of materiality for the financial statements was £1.889million. On receipt of the 2021/22 draft accounts, we reassessed materiality and updated it to £1.810million. We consider that our updated assessment has remained appropriate throughout our audit.

Materiality

Overall materiality

£1.810million



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£1.358million



75%

Work performed to capture individual errors at this level

Trivial threshold

£90,500



De minimis

All errors greater than this level are reported

Materiality

Our assessment is made with reference to the Board's Revenue Resource Limit (RRL). Achieving a breakeven position against RRL is a key target for the Board and one of the principal considerations for the users of the financial statements when assessing financial performance.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality. Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.

Trivial misstatements

Clearly trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

We noted within our External Audit Plan that we would report to the Board all audit differences in excess of £90,500, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the annual accounts.

Audit differences

24. We identified no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts. This included a correction to the allocation between trade payables and accruals, relatively minor changes in the remuneration report, and in notes to the accounts. There were no unadjusted differences.

Other matters identified during our audit

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

Other information in the annual report and accounts

26. “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

27. 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.
28. 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

29. 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

30. We consider the coverage of the governance statement to be in line with our expectations.
31. 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

32. 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

33. 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.
34. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Internal controls

35. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal

controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the board to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and generally received on a timely basis.

Service auditor reports

36. The Board utilises a number of shared IT systems, IT applications and processes with other Scottish Health

Boards. Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements.

Shared service	Service assurance
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NHS National Services Scotland (NSS) procures a service auditor report from KPMG. In May 2022 KPMG reported an unqualified audit opinion. We have considered the findings of the report and are satisfied that the findings do not have a material impact on our audit approach or conclusions.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish Health Boards.</p>	<p>NHS Ayrshire and Arran procure a service auditor report from BDO. The service auditor highlighted no critical or significant risk findings and reported an unqualified opinion.</p>

Follow up of prior year recommendations

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

Other communications

Accounting policies, presentation and disclosures

38. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.
39. The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate.
40. There are no significant financial statements 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.
41. Overall we found the disclosed accounting policies, and the overall disclosures and presentation, to be appropriate.

Fraud and suspected fraud

42. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

43. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

44. As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

Written representations

45. The letter of representation covers a number of issues which we asked the board to confirm to us. This letter was signed on behalf of the board as part of the process of approving the financial statements.

Related parties

46. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

47. All requested third party confirmations in respect of bank and legal confirmations have been received.

Financial sustainability

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



Auditor judgement



NHS 24 is forecasting a breakeven position for the next year and has fully paid off brokerage payments, earlier than previously anticipated. This will help devote future resources to supporting strategic priorities.

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

Funding of pay and associated costs is identified as a high risk to NHS 24's ability to achieve its financial target in 2022/23 due to the public sector pay uplifts, having a potentially detrimental effect on NHS 24's financial plan.

Our assessment takes cognisance of the external pressures on NHS 24 and the health sector as a whole which includes the challenge to balance available resources with maintaining an effective service.

Significant audit risk

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

Financial sustainability

The Board continues to face challenges in achieving savings targets, including recurrent savings, in amongst a challenging performance management landscape and unprecedented challenges of responding to Covid-19. The emerging and uncertain impact on the Board's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

Noted in the 2021/22 External Audit Plan

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

Financial Plan for 2022/23

50. NHS 24 has prepared a forward Financial Plan, per Scottish Government guidance. This was submitted to the Board for approval on 28 April 2022. It has been noted that due to ongoing discussions nationally in regard to the Agenda for Change and energy increases, the paper is for approval as a working plan.
51. The Board initially forecast a deficit of £676k for 2022/23 in a submission for the financial plan. This was due to two factors: inflationary pressures and non-recurring savings pressures. However, since the plan was submitted, the Board managed to reduce £500k of recurring savings on a non-recurring basis to £427k and is confident that the organisation has identified how it is going to meet that in 2022/23. In addition – at time of writing - the Board is confident that the rising energy costs can either be managed internally or can secure additional funding to cover these increases.
52. The Financial Plan shows that a breakeven position for 2022/23 is achievable and illustrates the significant increase in costs and funding required compared to the previous Financial Plan.
53. NHS 24 has been informed that all NHS boards will receive a baseline uplift of 2.0%, plus support for the increase in employer national insurance costs arising from the UK Health and Social Care Levy. This uplift is to fund the Public Sector Pay Policy's pay recommendation and any supplies inflation for the year, such as rising energy costs. This will be subject to change based on the on-going discussions over the Agenda for Pay settlement. The funding increase in total equates to £2.8m recurring and £0.1m non-recurring. With inflation currently running significantly higher than the 2% uplift, this presents ongoing financial challenge,

particularly if the Board cannot identify additional savings to cover these costs or source additional funding.

Key assumptions and risks in the Operational Plan

54. The key high-level assumptions used by NHS 24 for 2022/23 are as follows:

Exhibit 2: Key financial assumptions

2022/23 uplift	
(%)	
Revenue growth	2
Pay uplift (for those earning less than £25k)	A minimum of 3.1
Pay uplift (for those earning £25k to £40k)	1.75 to 2.8 (reducing as the pay scale increases)
Pay uplift (for those earning above £40k)	A maximum of 1.25
Non-pay costs	1.0
(million)	
Agenda for Change Pay bill	0.6

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

- Covid-19 funding shall be provided in line with the national template, which assumed current spend would start to drop as the year progresses.

- Any Agenda for Change settlement shall be funded by Scottish Government.
- The recruitment for the Redesign of Urgent Care (RUC) is on a permanent basis with funding being baselined; and
- Allocations received from SGHSCD in 2021/22 will continue to be funded.

56. These assumptions underpin the financial plan which also includes an assessment of risk. There has been appropriate scenario planning to understand the implications of movements in the assumptions.
57. Based on the rising energy prices and other increases, further costs have been incorporated into the financial plan during the year. Additional funding of £0.1m has been set aside for the increase in energy prices as well as a £0.2m increase in Managed Service contracts from indexation.
58. The uplift received for inflationary increases totals £2.9m yet inflationary price rises are anticipated to be £3.6m. As NHS 24 has a larger number of staff on lower pay bands compared to other Boards, it is disproportionately impacted by the latest Pay Policy as the recommendations are weighted towards lower paid staff receiving higher % increases.
59. Discussions have taken place with SGHSCD colleagues on this issue and they have confirmed they will work with the Board to resolve this gap if Agenda for Change does not correct it.
60. The achievement of efficiency savings plans has also been identified as moderate risk in delivering the

financial plan. NHS 24 has consistently met savings targets in recent financial years, however identifying future savings for the upcoming years will be challenging with approximately £2.6million annual saving required for 2022/23. Per the Finance Plan, £2million of potential savings have been identified, with £0.6million still to be found. A savings template is in operation for Directorates to complete with their recurring and non-recurring savings opportunities for 2022/23.

61. In terms of the Board's savings plans, it has been identified that currently there are circa. £1.4m of non-recurring savings which reflect a proposed 2% vacancy factor. This is based on the historic turnover of staff. Within the plan, it is stressed that this is not an active 'delaying of posts being filled' but a natural gain from attrition throughout the year. This currently reflects 52% of the savings target expected by SGHSCD.
62. Whilst this is in the line with the current staffing trends, it is important to note that the Board's strategic aims are heavily dependent on the expansion plans. Therefore, placing reliance on the vacant positions to provide the necessary savings indicates an expectation that the Board will not procure the necessary staff to achieve the expansions plans in the way/timeframe perhaps otherwise expected. The proposed vacancy factor included in the Finance Plan excludes areas of investment, as the funds received for these are ring-fenced, with any underspend being returned to SGHSCD.
63. There is a risk that increasing services without the necessary staffing will increase the pressures on current

workforce and ultimately could result in the vacancy gap increasing.

64. It must be noted that employee retention is one of the most intense challenges facing the health sector at this time. This is evidenced through the current levels of vacancies in health e.g. over 5,000 nursing vacancies and over 35,000 total vacancies in NHS Scotland. Coupled with NHS 24 having seen an increase in demand of up to 50% since the start of the pandemic, this places additional pressures on the board.

Covid-19 Related Expenditure

65. Covid-19 expenditure is forecast to be £1.2million for 2022/23 which is a significant reduction of £3.3million compared to 2021/22. This is predominantly due to two key areas: (i) the reduced estate costs as a result of no longer having the Lightyear Building, and (ii) it was envisaged that the Covid helpline would be maintained for the full year. However, the Scottish government has indicated that the helpline should close and so this is only budgeted for three months.

Medium-Term Financial Plan

66. NHS 24 is working on a three-year Financial Plan for the Scottish Government, covering the period 2022/23 to 2024/25. This is due to be submitted to the Scottish Government in July 2022 and SGHSCD have confirmed that planning assumptions to aid boards in finalising three-year plans will be provided in June 2022. As such, the plan was not sufficiently developed at time of the audit to support specific, robust audit analysis and commentary thereon.

67. The Board has been in regular communication with the Scottish Government to convert a large proportion of the non-recurring funding received, particularly for Mental Health, into recurring funding. This has removed a lot of uncertainty and allowed permanent staff contracts to be put in place instead of fixed term contracts.
68. Due to the uncertain economic conditions, it is difficult to accurately determine future costs. This is due to various external factors including Covid-19, inflation and the war in Ukraine. Therefore, it is important that this plan is regularly monitored, and any changes are reflected to ensure accurate financial forecasting. We are satisfied that the Board has reasonable systems and control measures to help identify efficiency opportunities as NHS24 strives to deliver break even in future years.

NHS 24 Strategic Plan

69. The current NHS 24 Strategic Plan covers the period 2017-22. The Board is currently developing the new Strategy. This will set out its role within the wide Health & Care agenda; seeking to include the following key ambitions:
- Outlining NHS 24's contribution to the national work on RUC;
 - Increasing NHS 24's contribution to the Mental Health Delivery Plan; and
 - Defining NHS 24's role in working in partnership to reduce health inequalities and support the national delivery of public health priorities.

70. NHS 24 is developing a strategic intent document setting out the direction of travel for the development of a full strategy beyond 2022/23. Work has been progressing on the development of NHS 24's strategy, with the 'gathering views' engagement and horizon scanning work progressing throughout the second half of 2021. This has provided a breadth of internal and external views to inform the Board's thinking.
71. A specific piece of policy analysis has also been undertaken to review the landscape and the prime drivers that will shape that strategic intent for NHS 24.
72. As the current Strategic Plan was published prior to Covid-19, it is crucial that the Strategy is thoroughly reviewed to highlight the role of NHS 24 within the broader health and care system. This must appropriately reflect ongoing financial pressures and other key risks such as workforce issues.

Three-Year Workforce Plan

73. A three-year workforce plan has been requested by the Scottish Government, to cover the period 2022/23 to 2024/25. This will be aligned to the National Health and Social Care Strategy, published in March 2022, and will highlight the plans in place as well as NHS 24's recovery plans for the easing of Covid-19 restrictions.
74. This was originally intended to align with the three-year operational plan which the Scottish Government had requested. However, since initial discussions it has now been announced that the operational plan will only cover a one year period at this point.

75. Guidance is still being updated from the Scottish Government. Three Year Workforce Plans are expected to use the Five Pillars of Workforce Planning outlined within the National Workforce Strategy (Plan, Attract, Train, Employ, Nurture) as the basis for outlining proposed actions to secure sufficient workforce to meet local projected short-term recovery and medium-term growth requirements across the health sector.
76. The Board is currently on track to submit a copy of the Plan to the Scottish Government by 31 July 2022 and there are clear actions in place to help ensure the plan presents an accurate depiction of the workforce strategy.

Recruitment

77. Internal Audit conducted an audit of recruitment during the year, with the objective of undertaking an end-to-end review of the design and operation of the controls around recruitment at NHS 24. The report concluded a partial assurance with improvement required, with one medium rating and three low ratings.
78. It was noted that NHS 24 has a clearly defined approval route which includes input from across the organisation including Workforce Planning, Finance, Redeployment, and Department Directors. However, it was identified that in some instances, there were inconsistencies observed between the shortlisting criteria and the job description advertised. This could result in candidates who are not suitable for the role applying, negatively impacting on candidate experience and resulting in wasted

resources within NHS 24 when reviewing such applications.

79. Additionally, it has been highlighted that one of the reasons for individuals leaving is due to a lack of understanding of what the role entails. Therefore, the individual does not appreciate how challenging the role is which illustrates the need for better information and marketing around the roles.
80. There has been a significant increase in recruitment costs compared to the prior year. On average over the previous 12 months the Board has brought in 40 new starts per month. However, on average per month 38 staff have left.
81. Retaining staff presents significant challenges for the board to implement its expansion plans. If these plans continue to go ahead without resolving this issue, there is a risk that this will place the remaining workforce with increased pressures which in turn has the potential to further accentuate the problem.
82. However, it is also important to recognise the ongoing work by the board to understand the key reasons as to why there is such a high turnover of staff.
83. This involves a greater focus on Stakeholder Engagement, including a movement sheet which will be sent to every director and will outline the individuals who are in post for each cost centre, the director responsible and the current vacancies. This will then be issued every month and will be updated for any starters or leavers. The directors will then return the form and update any future changes or requirements.

84. Engagement has taken place which will ask the staff what the challenges are and identify reasons for why staff would consider leaving and also what would encourage them to stay.
85. Due to the delays in the Shift Review (as a result of the pandemic) there has been little opportunity for staff to have meaningful management time which impacts on activities such as CPD, appraisals and absence management.
86. Therefore, this impacts on staff having the opportunity to discuss career development. In turn, this could potentially increase the chances of staff leaving.

Mental Health Hub

87. The board's Mental Health plan for 2022/23 has been submitted to SGHSCD for approval. This aligns with the key ambitions in the new strategy, of strong contribution to the Mental Health Delivery Plan.
88. An amount of £14.4million has been included in the financial plans towards the funding of this. Due to the significant focus on Mental Health within society, the majority of this is now recurring or earmarked recurring funding which provides greater certainty for the board when forward planning for Mental Health Services.
89. As a result of the expansion of the Mental Health Services, NHS 24 has experienced a significant increase in operational demand within the Public Protection Services. Whilst this indicates the needs for this service, there is a risk over whether the Board has the necessary capabilities to cope with this growing demand. It was noted that the mental health roles for various locations were readvertised

due to an insufficient number of applicants however NHS 24 believe recent advertisements have been promising.

90. Whilst the challenges towards the successful implementation of the mental health hub are evident, the Board is taking the necessary steps to address these issues and have clearly set these out within their Mental Health plan. NHS 24 work closely with the Mental Health sponsor team at SCHSCD to closely monitor the plan and service requirements. We would recommend that the Board ensures any additional financial challenges in achieving this plan are fully considered within their 2022/23 financial plan.

Redesign of Urgent Care

91. In addition to the Mental Health Development, another recurring earmarked fund relates to the RUC Healthcare. This funding amounts to £19.3million.
92. The RUC Annual Plan for 2022/23 has been submitted to SGHSCD for approval. The costs to be incurred for 2022/23 primarily relate to frontline staff costs of c.£14.5million.

Capital Programme

93. 2022/23 will include ongoing office modernisation activity. There are no significant capital projects which are confirmed for 2022/23.
94. In future years the capital resource limit baseline is expected to remain at £0.269million. However, as part of the Sustainability agenda, the board has indicated to the Scottish Government that there may be a requirement for an additional £0.3million in 2022/23. Similarly, in 2023/24 and 2024/25 the

Board has noted that there is potential for a further £0.2million each year.

95. The implementation of IFRS 16 has also been delayed, and NHS 24 will need to monitor developments and consider the impact of implementing IFRS 16 on any new property leases.

Financial management

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



Auditor judgement



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

The Board met its key financial targets in the year delivering an underspend against its revenue resource limit and a breakeven position against its capital resource limit.

NHS 24 did not deliver all planned savings recurrently in the year. The proposed investment plans were reviewed during the year to ensure that sufficient recurring funds were set aside to allow the board to enter 2022/23 in a recurring balanced position.

Financial performance

96. All Boards have to work within the resource limits and cash requirements set by the Scottish Government.
97. NHS 24 achieved an underspend against its RRL of £0.103million. This surplus is in line with the breakeven position outlined within the 2021/22 Operational Plan. The Board delivered an underspend of £0.014 million against its RRL in 2020/21. The £0.014 million underspend from 2020/21 was carried forward and added to the NHS 24 RRL for 2021/22, which means there was an underspend against the in-year RRL in 2021/22 of £0.089 million.

Performance against resource limits

Financial target	Limit £000	Actual £000	Variance £000	Target achieved?
Core Revenue resource limit	98,953	98,850	103	Yes
Non-Core Revenue Resource Limited	1,593	1,593	-	Yes
Capital resource limit (CRL)	3,062	3,062	-	Yes
Cash requirement	98,651	98,651	-	Yes

Delivering financial balance

98. The 2021/22 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.
99. As at February 2022, the majority of directorates were underspent as a result of less expenditure being incurred on items associated with

being in the office and travel. There was a financial pressure in Technology caused by the additional requirement for agency staff, leading to an adverse variance of £0.341million. An overspend of £0.207million in the Covid-19 cost centre was a result of the overall contribution the Board is making towards Covid-19 costs.

Strategic Planning Resource Allocation ('SPRA') Request

100. The Board performed a mid-year review which included consideration of

both NHS 24 specific and national challenges, risks and opportunities.

101. This outlined the three categories of requests: Summary of bids taken forward; those taken forward but being funded from other sources and bids not taken forwards.
102. The total bids considered amounted to £7.551million, which primarily consisted of Shift Review Funding of £7million. The focus of the Shift Review changed and the cost was revised to £1.3million which is still to be approved subject to confirmation of available funding.

Efficiency savings

103. NHS 24's 2021/22 Operational Plan outlined a requirement to deliver £3.1 million of savings to ensure the Board reported a breakeven position. This included NHS 24's intention to contribute £0.75 million towards the National Boards Collaborative savings target of £15m. Ultimately, NHS 24 successfully contributed this amount to the national savings target.
104. The majority of NHS 24's savings were delivered recurrently through reductions in travel and subsistence costs and improved technologies. Non-recurring savings represented 37% of savings achieved through a 3% reduction to all non-clinical budgets, excluding technology contracts.

Remobilisation Plans

105. Due to the ongoing impact of the pandemic, the Board prepared its Remobilisation Plan for the period October 2021 to March 2022. Unlike many other boards, NHS 24 did not stop delivering any major services

during the pandemic and therefore the Board's plan focussed as much on continuation as remobilisation (but will be referred to as the remobilisation plan throughout this report). Within the Remobilisation Plan 2021/22, consideration is given to the alignment with ministerial priorities and NHS 24's response to the key challenges which will be faced.

106. Throughout the course of the pandemic, NHS 24 Remobilisation Plans have adjusted to fluctuation in the prevalence and acuity of each wave of Covid-19 and continued to deliver and adjust services in response and this continued to be reflected during 2021/22.
107. The first quarterly review of the RMP3 was undertaken and presented to the Board in June 2021. As at the RMP4 being published, progress was made towards the RMP3's key priorities and out of the 19 performance measures; one was completed, 15 were on time and three were at risk. The three areas at risk relating to recruitment resources; develop an expanded advanced clinical support model to meet organisational demand and developing an NHS 24 Estate Strategy.
108. NHS 24 has made considerable progress on delivering against the 2021/22 Remobilisation Plan, whilst recognising that many of the actions will be carried forward into 2022/23 and as part of the development of NHS 24's longer-term strategy.

Capital programme was delivered in full

109. NHS 24 broke even against CRL in 2021/22. The majority of capital

expenditure was in relation to new premises. At the new premises in Dundee, Block A was in operation in December 2021 and Block B works were concluded in February 2022.

110. There have been various developments during the year, with the Lightyear Building being fully vacated in April 2022 with decommissioning successfully completed. Additionally, the Aurora House lease was concluded on the 25 June 2021.
111. NHS 24 agreed lease terms for the ground floor of the Lumina building in January 2022. The Board were operational in the ground floor of the Lumina building in April 2022 and currently occupy half of the 1st floor and the full 2nd floor.
112. This forms part of the expansion of the NHS 24 and relates to the significant recruitment drive which has occurred during the year and the continuance of the reduction in capacity at each site of between 40-50% to incorporate safe 2m physical distancing.
113. In 2021/22, the lead tenant at Cardonald renewed the lease on the existing premises with NHS 24 continuing as sub tenants. This has been renewed until 2033, with two break points built in.

Budget Monitoring and Control

114. NHS 24 presents financial monitoring reports to all meetings of the Planning and Performance Committee and Executive Management Team. Regular updates are also presented to the Board.
115. 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.

116. In line with the mobilisation plan following Covid-19, NHS 24 identified and implemented specific Covid-19 cost centre codes to accurately track the additional costs and savings associated with the pandemic. The reporting of such costs was incorporated into the Covid-19 governance arrangements.

Systems of internal control

117. 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.
118. While we did not identify any material weaknesses in the Board's accounting and internal control systems during our final audit we have included in appendix 2 an action plan reflecting points for improvement.

Internal audit

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

Prevention and detection of fraud and irregularity

120. 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.
121. Regular updates are presented to the Audit and Risk Committee at each meeting through Corporate Governance Activity reports. This includes a fraud prevention update encompassing Counter Fraud Services Intelligence Alerts and whistleblowing.
122. Internal Audit are currently carrying out fieldwork on a Risk Management Audit and a Financial Controls: Fraud Arrangements audit. These will provide further insights into the internal controls within NHS 24 regarding risk and fraud arrangements.
123. The Board is holding a Strategic Risk Workshop Session in May 2022.

National fraud initiative

124. 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.
125. NHS 24 has concluded the investigations and the results of the NFI investigation did not identify any frauds, errors or other such observations. We have concluded that NFI arrangements are satisfactory, and that NHS 24 has taken a reasonable and proportionate approach to investigating matches.

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.



Auditor judgement



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.

Governance and transparency

Governance arrangements

126. The following changes in the governance arrangements have occurred during the period:
- Angiolina Foster left the post of Chief Executive on the 5 April 2021 and was replaced by Jim Miller. Angiolina Foster remained on an advisory level until 14 May 2021.
 - Madeline Smith and Albert Tait left their position of Non-Executive Director on 31 August 2021.
 - John Glennie left his position of Non-Executive Director on 31 March 2022.
 - Marieke Dwarshuis and David Howe took up the positions of Non-Executive Directors on 1 September 2021
 - Carol Gillie was appointed as Non-Executive Director on 1 September 2021.

Blueprint for good governance

127. 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.
128. NHS Boards were asked to conduct a self-assessment against the areas outlined within the document. NHS 24 conducted the self-assessment in March 2019 with the results being reported to the Board in April 2019. A progress report was submitted to the

Scottish Government in February 2020 which detailed current progress against actions to be taken.

129. The Corporate Governance Framework is reviewed on an annual basis with amendments being considered by the Audit and Risk Committee and approved by the NHS 24 Board. At the Board meeting held on 24 February 2022, it was agreed the Framework will take account of Active Governance and the revised Blueprint for Good Governance will become available during the summer of 2022.
130. A review of the 2019 Framework had been undertaken and it did not highlight any material concerns.
131. Work is currently underway on an approach for further improving assurance and establishing an NHS Board Assurance Framework. This is a reflection of NHS 24 ensuring that it is adhering to the Blueprint for Good Governance's direction of holding the executives to account for the delivery of the strategic aims.

Covid-19 Governance Arrangements

132. As a result of the pandemic, Board meetings have continued to be held virtually to ensure the safety of the individuals. Whilst these meetings have been private, there is sufficient information published on the Board's website to support transparency for the public and any related observation/enquiries.
133. During 2021/22, the Covid-19 Incident Management Team (IMT) continued to

meet on a regular basis, with frequency dictated by the acuity of Covid-19 variants and the prevalence of these variants in the community.

134. The IMT undertook regular reporting and escalation of key issues and risks to the Executive Management Team (EMT) and Covid-19 updates were provided to the NHS 24 Board. This was achieved through dynamic risk assessment, planning and review.
135. Throughout the year the proposals were scrutinised by the IMT and required formal approval, showing a clear audit trail of the decisions being made, the reasons why, and considering the potential impact of decisions.

Workforce planning

136. During 2021/22, the Strategic Workforce Planning Group and Operational Workforce Planning Group were in operation. These were established to deliver a coordinated approach to workforce planning which is integrated with and supports the delivery of NHS 24's strategic and operational plans, providing a highly effective governance role on behalf of the Executive Management Team. The group primarily consists of Directors and Service Heads and has a wide variety of departments involved to ensure collaboration throughout the organisation.
137. In addition to the above groups, an Establishment Control Panel has been created.
138. The purpose of the Panel is to provide oversight and examination of vacancy management and changes to posts on behalf of the Executive Management Team. The Panel will help ensure the

correct process is followed when making changes to job posts, budgeted WTE, bands attached to posts and job purpose.

139. The Panel will meet on a weekly basis (or at the request of the Chair on an ad hoc basis). If necessary, the Chair may call additional meetings to review urgent business.
140. The Group reports to the Strategic Workforce Planning Group and the Executive Management Team. Establishment control will be supervised by the ECP and the Strategic Workforce Planning Group. Any changes will be reported annually to the Staff Governance Committee.
141. This aims to provide a greater holistic approach to the organisation and create increased consistency and transparency throughout.
142. With the establishment of another workforce group, it will be crucial to ensure that each group understands their remit and there is effective communication to positively contribute towards improving the governance and recruitment issues that the board currently faces.

Disclosures of Interests

143. All NHS Boards are required to have a Register of Interests in place, and these are typically published on the Board's website. We obtained the NHS 24 register of interests and verified it was the most up to date version, and all appropriate directors, non-executive directors and senior management input their declaration of interests.

Standards of conduct

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

Equalities

145. NHS 24 has an Equality Mainstreaming Report 2021, including Equality Outcomes covering the period 2021-25. This is an extensive report which aims to embed equality in the structure, behaviour and culture of their service and to show how it is promoting equality through all that it does.
146. A workforce update was provided to the Report in April 2021. This report includes NHS 24 workforce data reported by the relevant protected characteristics and pay gap information, with the data relating to the period 1 October 2018 to 30 September 2020.
147. The Board holds up-to-date information regarding the diversity of its workforce and uses this to promote and address equal opportunities.

Value for money

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



Auditor judgement



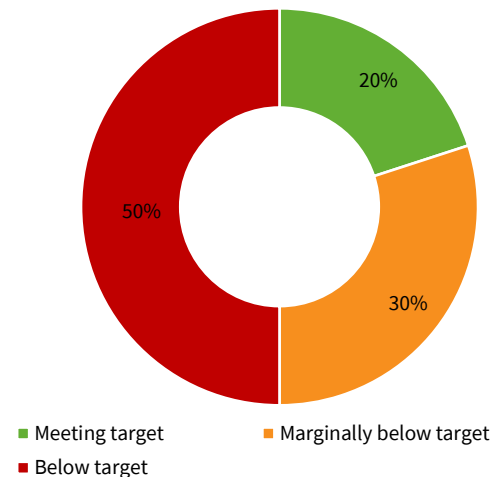
The Covid-19 pandemic increased the challenges faced by NHS 24 in meeting its performance targets due to a significant increase in the demand for its services. A number of targets were not achieved this year.

NHS 24 has a key, ongoing role in supporting national change, including as a result of how the pandemic has impacted national service redesign.

Performance management arrangements

148. NHS 24 monitors performance of key performance measures on a monthly basis and reports this on an ongoing basis to the Board and Planning & Performance Committee through a Corporate Performance Report. NHS 24 reported against 10 targets in 2021/22. 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).
149. Our analysis shows 20% of targets being met or exceeded, 30% marginally below target, and a further 50% below target (as illustrated in Exhibit 3). This represents a slight decrease in performance compared to prior year, with COVID-19 being a key impacting factor. Over the last 12 months, NHS 24 has experienced an increased need for mental health support and with the new model for urgent care, increase in service calls, with a parallel move to 24 hours a day, seven days a week from a predominately out of hours service.

Exhibit 3: Performance against target in 2021/22



Source: NHS 24 Annual report and accounts

150. The primary performance indicator is recognised to be care at the first point of contact, rather than primarily focussing upon call answer time. 95% of calls resulted in direct access to the service at the first point of contact which surpassed the target set of 90%. This has improved since the prior year (previously 91%).
151. The timeliness of answering calls against the current target level continues to present challenges to NHS 24 and this challenge was amplified due to the surge in calls as a result of the COVID-19 pandemic:
- 25.9% of calls were answered within the threshold. This is significantly below the average annual target of 50%. A key reason the performance declined further during the financial year related to the increase in demand of the service following Covid-19. This is being tackled with the recruitment drive for call handlers

and additional clinical support employees.

152. Three indicators have been identified as showing performance categorised as marginally below the target:
- Complaints responded to within 20 days;
 - Staff attendance rates, excluding the impact of Covid-19;
 - Patient experience levels
153. Improvement actions and targets for the above indicators have been identified and are in the process of being actioned.
154. 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.

Performance Framework

155. The Performance Framework has been refreshed and is currently awaiting approval. The framework has been discussed with the sponsor team but is not fully signed off as yet. There have been changes to NHS24's SG Sponsor team and this has delayed full sign-off.

111 Service

156. NHS 24's 111 service saw its highest ever demand in 2021/22, with just over 2 million calls made to the service (2.061million). This is a significant increase from the prior year (1.651million). In addition, April through to November 2021, the service received the highest ever volume for every month within this

period in nearly twenty years of service history.

157. The Board did not scale back its core services during the pandemic, and, in fact, focussed on not only continuation but targeted expansion of these services. Throughout the course of the pandemic, the board has adjusted to fluctuation in the prevalence and acuity of each wave of Covid-19 and continued to deliver and adjust services in response and this continued to be reflected during 2021/2022.
158. In 2021/22, Urgent Care amounted to 75% of the calls received.
159. The rapid fluctuation of demand continues to present challenges. This is a complex issue due to demand increase, notably during in-hours periods, the expansion of new and existing services requiring recruitment across the year of hundreds of additional staff to deliver, and the challenges of maintaining and expanding the service throughout the pandemic. It has been identified that for Urgent Care, the recruitment drive has been focused on procuring weekend staff to cope with the increased demand and manage the extended weekend waiting times.
160. This has accelerated the issues which the board faces regarding recruitment as the impacts of Covid-19 have increased the demand for telephone services, particularly with the reduction of in-person services which have been provided across the healthcare system as a whole.
161. It is therefore important to take the increased volume into consideration when contrasting the current performance indicators to the targets and the prior year comparatives.

Whilst there has been an evident decline in their performance indicators during 2021/22, the board has remained focused on their expansion plans and incorporating new services to adapt to the needs of the public.

162. However, as previously discussed, it is imperative that the board tackles current workforce and performance targets alongside optimising the service development agenda.

Mental Health

163. The Mental Health Service has been a key priority in 2021/22 and has continued to expand throughout the year, whilst facing significant demand challenges. In 2021/22 there were 137,915 calls to all services within the Mental Health Hub with 86,346 calls answered. This accounts for 63% of calls. For Covid-19 related calls, this was a similar level to the previous year and fluctuated between 4,000 to 8,000 calls per week at peak times.
164. The expansion of NHS 24 mental health hub has resulted in increased collaboration with health boards, and beyond health, notably the collaboration between NHS 24, Police Scotland, and SAS to deliver an enhanced pathway for those in mental health distress.

Redesign of Urgent Care

165. The Covid-19 pandemic has continued to be the catalyst for a national programme of redesign to manage and stream demand for urgent care differently. The organisation has continued to work collaboratively to develop this new operational model and will provide a national 24/7 single point of access through the 111

service to triage and stream demand for urgent care as part of national redesign improving access and alleviating pressure across the system.

166. The Redesign of Urgent Care (RUC) is a whole system programme and NHS 24 is contributing towards the successful delivery. The aim of this redesign work is to ensure patients and public can access urgent care effectively and ensure patient and staff safety is maintained during the ongoing pandemic. The National Implementation took place on 1 December 2020, with NHS 24 satisfied with the roll out of the urgent care pathway.
167. The board continues to support the RUC programme, specifically through the '111' service to reduce the level of presentations to Emergency Departments. NHS 24 are looking to build on this going forward into 2022/23.
168. In a report published by NHS Scotland, it was acknowledged that increasing the use of NHS 24 as part of the RUC and as one of several entry points to urgent care, has been well adopted by the Scottish public as promoted by recent national media publicity. It was also noted that there is scope for greater collaboration across all NHS Boards, adopting a partnership approach, continuing to actively involve NHS 24.

Expanding Digital Access to Care

169. There has been an increased focus on the board's digital presence and designing services around user needs. NHS inform usage continues to grow

with increased public awareness and trust in the information and advice available for Covid-19 related information and access to services and a range of condition specific support, including mental health. December 2021 saw the highest ever user volumes of 12.3m after months of continuous growth.

recommendations. The report highlighted that there is scope for NHS 24 to provide additional support for staff.

170. This is an on-going development for the board and, contingent on funding, will continue to be a topic of focus.

Dental Service

171. During 2021/22 there was an increase in Dental Services provided, with over 125,000 calls offered. This has been seen as a successful transition into expanding this type of service. Of the £2million anticipated Covid-19 funding from the SGHSCD, £0.6million has been allocated to the dental service. However, it has been noted that the provision of this service is highly dependent on whether NHS 24 can secure additional funding going forward, particularly as the Covid-19 funding begins to dissipate.

Staff Wellbeing

172. NHS 24 has increased the level of support available to staff during the pandemic through its helpline as well as information and help available on the intranet, with a section dedicated to all aspects of health and wellbeing related to Covid-19. Internal Audit carried out a staff wellbeing audit during the year. The focus of the audit was to review the support both during and into the recovery phases beyond Covid-19. This report has been rated as “partial assurance with some improvement required” with one medium and one low and two advisory

Appendices



Appendix 1: Respective responsibilities of the Board and the Auditor

Responsibility for the preparation of the annual report and accounts

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

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

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

Board members are also responsible for:

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

Auditor responsibilities

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

- they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board and its group's affairs as at 31 March 2022 and of the net expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the United Kingdom, as interpreted and adapted by the 2021/22 FReM;
- they have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers;
- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report is consistent with the financial statements and has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement is consistent with the financial statements and has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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

Wider scope of audit

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

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

Independence

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

Confirmation of independence

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

With regard to our appointment for a second term, we can confirm that we comply with FRC's Ethical Standards which state that careful consideration must be given once an audit engagement partner has held the role for a continuous period of ten years. As this is the eleventh year of our appointment, David Eardley was appointed to lead the 2021/22 audit team to mitigate against this risk. He takes over from Nick Bennett in this role.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all

audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the Board since appointment can be found at <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

Appendix 2: Action Plan

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

Action plan grading structure

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

The rating structure is summarised as follows:

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

Current year action plan

Contracts of employment

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>As part of our testing of employee expenditure, we test to verify the existence of employees making up that expenditure.</p> <p>For one employee, we could not obtain a signed contract of employment. Our discussion with Finance and HR contacts within NHS 24 identified this related to older contracts following changes to HR systems.</p> <p>(For the employee we could not identify, we since received supplementary evidence to verify their existence).</p> <p>Risk</p> <p>There is a risk that without a signed copy of the contract of employment/variation to contract we cannot verify employee existence. This could be an indicator of potential fraud and could impact NHS 24's staff management processes.</p> <p>Recommendation</p> <p>NHS 24 should ensure all employees have signed contracts of employment on file and readily available.</p>	<p>This is a legacy issue, where previously contracts were emailed out and there was limited follow up if they did not reply, simply due to the numbers of contracts being issues. We now manage and issue contracts electronically via a system called Job Train. If for any reason a contract is not issued via Job Train, there is a follow up process to ensure that we receive a signed contract. This dual approach should mitigate the risk there is not a record of the employment contract for each member of staff.</p> <p>Responsible officer:</p> <p>Head of Employee Relations</p> <p>Implementation date:</p> <p>June 2022</p>

Review of fixed asset register

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>During our fixed asset testing it was noted that an item had incorrectly been capitalised.</p> <p>Risk</p> <p>There is a risk that fixed assets will be overstated if the correct procedures are not followed.</p> <p>Recommendation</p> <p>It is recommended that a more regular review of the fixed asset register is carried out to identify any issues.</p>	<p>Quarterly review of the full Asset Register by member of the Finance team to be put in place and learning to be applied. For example, finding relates in part to VAT being reclaimed after an item was capitalised, so we can keep as asset under construction where there is the possibility of a VAT reclaim.</p> <p>Responsible officer:</p> <p>Deputy Director of Finance</p> <p>Implementation date:</p> <p>July 2022</p>

Contracts register

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>Per the Procurement Reform (Scotland) Act 2014, NHS 24 must keep a contract register, a copy of which must kept on the Public Contracts Scotland website. However, the PCS site currently only displays 'live' contracts.</p> <p>Risk</p> <p>There is a risk that non-compliance with the Act will lead to reputational damage to NHS 24.</p>	<p>This was due to an issue with an external website. However, we do accept that NHS 24 should have been more proactive in rectifying. We have informed SAS (who provide procurement support to NHS 24), and they will provide a copy of the NHS 24 contract register to the public contracts Scotland portal admin team and request that this is manually uploaded onto the site. PCS have already offered to do this, so this can shortly be closed off. To mitigate a similar issue occurring the procurement</p>

Initial rating	Issue & recommendation	Management comments
	<p>Recommendation</p> <p>It is recommended the issue is investigated and resolved to ensure NHS 24 is compliant with the Act.</p>	<p>improvement team will take the action to check the PCS site at least annually.</p> <p>Responsible officer:</p> <p>Deputy Director of Finance</p> <p>Implementation date:</p> <p>June 2022</p>

Documentation of Goods Received Notes

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>During our expenditure testing it was noted that documentation for Goods Received Notes have not been retained.</p> <p>Risk</p> <p>There is a risk that this could lead to disputes over goods being received in relation to missing items and damaged goods.</p> <p>Recommendation</p> <p>It is recommended that Goods Received Notes are kept for documentation purposes.</p>	<p>As we do not have a stores department it is usually a named contact or the service support team (SST) that take receipt of goods delivered to our sites. We will strengthen the link between the SST team and the procurement improvement team. This will extend to a proportionate process where for certain high value or items that should be checked upon delivery that they are in working order (such as headsets for frontline staff that can be faulty). A record shall be held by the person receiving the goods or the notification to the person receipting on PECOS to provide the backup that the goods were received and that we are satisfied that upon receipt of an invoice that the supplier can be paid.</p> <p>Responsible officer:</p> <p>Deputy Director of Finance</p>

Initial rating	Issue & recommendation	Management comments
		Implementation date: August 2022

Authorisation of Journals

Initial rating	Issue & recommendation	Management comments
Grade 2	<p>Issue</p> <p>During our journal testing it was noted that there is not clear evidence of journals being reviewed by an individual separate to who posted the journal.</p> <p>Risk</p> <p>There is a risk that this could lead to management override if individuals are able to post journals without a secondary review.</p> <p>Recommendation</p> <p>It is recommended that there should be clear evidence of journals being authorised by a individual different from who posted it.</p>	<p>This issue arose as we adapted to remote working. Pre-Covid a print out of the journal was signed and dated by the person who prepared it and by the Authoriser (normally the Deputy Director of Finance) prior to posting. A draft update to our financial operating procedures already documented the new process as we see flexible working continuing post pandemic. This will be formalised in the new year and implemented from the May 2022 month end. The new procedure will be that the person preparing and posting the journal will put their name on the electronic copy of the journal. Prior to posting it will be reviewed and signed by the line manager (or equivalent). As the journal is being posted the “attach to paperclip” function will be used. This means a record of the journal that cannot be altered will be retained within the finance system with the poster and authoriser clearly documented.</p> <p>Responsible officer:</p> <p>Deputy Director of Finance</p>

Initial rating	Issue & recommendation	Management comments
		Implementation date: May/June 2022

Follow up of prior year recommendations

A review of the recommendation included in our 2020/21 annual audit report, is included below.

Procurement procedures

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

Initial rating	Issue & recommendation	Management comments
Current status	Update	
Complete	A new procurement strategy for 2021-2024 has been produced.	

