



**Scott-Moncrieff**  
business advisers and accountants

# **NHS 24**

2017/18 Annual Audit Report to the Board and  
the Auditor General for Scotland

**June 2018**

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# Key messages

## Annual accounts

The annual accounts for the year ended 31 March 2018 were approved by the Board on 21 June 2018. We reported within our independent auditor's report an unqualified opinion on the annual accounts, regularity and on other prescribed matters.

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

## Wider scope

### Financial sustainability

NHS 24 has recognised the importance of medium term financial planning and this is a key feature of the Strategic Planning and Resource Allocation exercise.

Funding of the end of the public sector pay cap and the delivery of savings are the key risks impacting on NHS 24's financial sustainability.

### Financial management

NHS 24 has adequate and effective arrangements in place for managing its financial position and use of resources, but relied on non-recurring savings to achieve financial balance in 2017/18.

We have evaluated NHS 24's key financial systems and internal financial controls and determined these are adequate to prevent material misstatements in the annual accounts.

### Governance & transparency

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

Our review has focused on considering arrangements to ensure effective systems are in place regarding internal control, prevention and detection of fraud and irregularity and standards of conduct.

### Value for money

NHS 24 has an established performance management framework in place.

An enhanced performance reporting framework is in development to ensure that NHS 24 reports on current KPIs but also expands the range of indicators to determine the overall effectiveness of services and service user experience.

## Key facts

- All key financial targets were met in 2017/18.
- The revenue resource limit was underspent by £0.030million (0.04%).
- The capital resource limit was underspent by £0.001million (0.26%).
- The Organisational Improvement Programme was successfully implemented nationally in October 2017. Costs associated with this were £9.836million in 2017/18.
- A breakeven position is forecast for 2018/19. This is dependent on the Board achieving savings of £2.06million.
- 15 of the 19 key performance measures were on target for 2017/18.

## **Conclusion**

This report concludes our audit for 2017/18. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) (ISA(UK)) and Ethical Standards.

**Scott-Moncrieff**

**June 2018**

# 1

## Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of NHS 24 for 2017/18.

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

At NHS 24, we have designated the Audit and Risk Committee as "those charged with governance".

# Introduction

1. Audit Scotland appointed Scott-Moncrieff as auditor to the NHS 24 for the five year period from 2016-17 to 2020-21.
2. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Audit and Risk Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2017/18 financial statements and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
  - any other work requested by Audit Scotland, for example, input into performance audit work.

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



Source: Code of Audit Practice, May 2016

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

### Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we have complied with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our

professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular, there have been no relationships between Scott-Moncrieff and the Board or senior management that may reasonably be thought to bear on our objectivity and independence.

### Adding value through the audit

8. 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.
9. This report is addressed to the Board and the Auditor General for Scotland and will be published on Audit Scotland's website. [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
10. We welcome any comments you may have on the quality of our work and this report via: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).

# 2

# Annual report and accounts

NHS 24's annual report and accounts is 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 2017/18 annual accounts.

# Annual report and accounts

The annual report and accounts for the year ended 31 March 2018 were approved by the Board on 21 June 2018. We reported an unqualified opinions within our independent auditor’s report. We did not identify any significant adjustments to the unaudited annual report and accounts.

NHS 24 has good administrative processes in place to prepare the annual report and accounts and the required supporting working papers.

## Overall conclusion

### An unqualified audit opinion on the annual accounts

11. The annual report and accounts for the year ended 31 March 2018 were considered by the Audit and Risk Committee on 11 June 2018 and were subsequently approved by the Board on 21 June 2018. We have reported within our independent auditor’s report:

- An unqualified opinion on the financial statements
- An unqualified opinion on regularity; and
- An unqualified opinion on other prescribed matters.

12. We are also satisfied that there are no matters which we are required to report to you by exception.

### Good administrative processes were in place

13. We received unaudited annual accounts and supporting papers of a high standard, in line

with our agreed audit timetable. Our thanks go to staff at NHS 24 for their assistance.

14. The annual report and accounts were submitted to the Scottish Government and Audit General for Scotland by 30 June 2018 deadline.

## Our assessment of risks of material misstatement

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

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

### 1. Revenue Recognition

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

*Excerpt from the 2017/18 External Audit Plan*



16. 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.

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

The FRC published Practice Note 10 which applies to the audit of financial statements for periods commencing after June 2016. The Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

*Excerpt from the 2017/18 External Audit Plan*

17. While we did not suspect incidences of material fraud and error, we evaluated each type of expenditure transaction and documented our conclusions. We have gained reasonable assurance on 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 NHS 24's policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

### 3. Management Override

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 annual accounts. This is treated as a presumed risk area in accordance with ISA (UK) 240 – *The auditor's responsibilities relating to fraud in an audit of financial statements*.

*Excerpt from the 2017/18 External Audit Plan*

18. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## Other risk factors

19. In 2017/18, the presentation of the statement of comprehensive net expenditure (SoCNE) was amended, in line with the NHS Accounts Manual, to improve clarity for the user of the accounts and ensure compliance with the HM Treasury Government Financial Reporting Manual (the FReM) and accounting standards. The comparative information in respect of 2016-17 is presented in the new format in the SoCNE. No further retrospective restatements were required.

## Our application of materiality

20. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
21. Our initial assessment of materiality for the annual report and accounts was £1.3million. On receipt of the 2017/18 draft accounts, we reassessed materiality and maintained the £1.3million threshold. Our assessment of materiality is set with reference to the RRL. We consider this to be the principal consideration for the users of the accounts when assessing financial performance of NHS 24. We consider that our updated assessment has remained appropriate throughout the audit.

## Performance materiality

22. Performance materiality is the amount set by the auditor at 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 materiality for the financial statements as a whole.
23. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

| Area risk assessment | Weighting | Performance materiality |
|----------------------|-----------|-------------------------|
| High                 | 40%       | £0.52million            |
| Medium               | 55%       | £0.65million            |
| Low                  | 70%       | £0.91million            |

24. We agreed to report on all material misstatements and uncorrected misstatements with a value in excess of £26,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds

## Audit differences

25. We are pleased to report that there were 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 annual accounts.
26. We also identified one unadjusted error which is not considered material to the annual accounts. This has been reported to the Deputy Director of Finance and is included as an appendix to the letter of representation and this report. The letter covers a number of issues and we have requested that it be presented to us at the date of signing the annual accounts.

## Accounting and internal control systems

27. NHS 24 has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses or governance issues in NHS 24's accounting and internal control systems during our final audit.

## Other matters identified during our audit

28. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report thereon. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.

### The performance report

29. 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.
30. We have concluded that the NHS 24 performance report has been prepared in accordance with directions from Scottish Ministers and is consistent with the financial statements.

### The accountability report

31. 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.
32. We consider the coverage of the Governance Statement to be broadly in line with expectations. However, we noted that internal audit had reported one high risk findings with respect of performance management which was not disclosed in the draft governance statement.
33. We further noted that the Governance Statement did not include details of the Board's whistleblowing arrangements.

34. NHS 24 has revised the governance statement in line with our recommendations and we are satisfied that the Governance Statement complies with directions made by the Scottish Ministers and that the content is consistent with the information gathered during our audit work.
35. We have obtained adequate evidence that the information provided in the remuneration and staff report is in agreement with accounting records and has been prepared in line with ministerial guidance.

#### Regularity

36. 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.

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

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

| Qualitative aspect considered   | Audit conclusion   |
|---|--|
| The appropriateness of the accounting policies used.  | The accounting policies, which are disclosed in the annual accounts, are in line with the NHS Accounts Manual and are considered appropriate to NHS 24   |
| The timing of the transactions and the period in which they are recorded.   | We did not identify any concerns over the timing of transactions or the period in which they were recognised.  |
| The appropriateness of the accounting estimates and judgements used.  | We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. We have considered the degree of management judgement in the use of estimates and at NHS 24 the only significant area of estimate and judgement is provisions for clinical and medical negligence and dilapidations. NHS 24 use the Central Legal Office as an expert for the figures used when reporting the clinical and medical provision. We have evaluated the competence, objectivity and capability of the Central Legal Office in line with the requirements of ISA (UK) 500 and concluded the use of this expert is appropriate. |
| The appropriateness of the going concern assumption   | We have reviewed the detailed financial forecasts for 2018/19. Our understanding of the legislative framework and activities undertaken at NHS 24 provides assurance that the Board will continue to operate for at least 12 months from the signing date.   |
| The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.                              | We have not identified any uncertainties, significant risk or required disclosures, which should be included in the annual accounts.   |
| The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed. | From the testing performed, we identified no significant unusual transactions in the period.   |
| Apparent misstatements in the management commentary or material inconsistencies with the accounts.  | The management commentary contains no material misstatements or inconsistencies with the accounts.   |
| Any significant annual accounts disclosures to bring to your attention.   | There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.  |
| Disagreement over any accounting treatment or annual accounts disclosure.   | While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.  |

| Qualitative aspect considered          | Audit conclusion   |
|--|--|
| Difficulties encountered in the audit. | No significant difficulties were encountered during the audit. |

3

# Financial management

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

# Financial management



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 small underspends in the year against both revenue and capital resource limits.

NHS 24 did not deliver all planned savings recurrently in the year.

## Financial performance

38. NHS 24 has to work within the resource limits and cash requirements set by the Scottish Government.

39. NHS 24 achieved a saving against its RRL of £30,000. This surplus is in line with the breakeven position outlined within the 2017/18 Local Delivery Plan (LDP).

### Exhibit 3: NHS 24 performance against resource limits

| Financial Target                | Limit<br>£000 | Actual<br>£000 | Variance<br>£000 | Target<br>achieved? |
|---------------------------------|---------------|----------------|------------------|---------------------|
| Core revenue resource limit     | 71,707        | 71,677         | 30               | Yes                 |
| Non-core revenue resource limit | 727           | 727            | -                | Yes                 |
| Capital resource limit          | 384           | 383            | 1                | Yes                 |
| Cash requirement                | 72,680        | 72,680         | 0                | Yes                 |

40. The 2017/18 Local Delivery Plan presented to the Scottish Government Health and Social Care Directorate (SGHSCD) was based on the successful launch of the new technology platform by the end of 2017. The final phase of implementation was successful and completed in full in October 2017 reducing some of the financial pressures such as double running costs.

41. The Board were able to make additional brokerage repayments of £0.6million bringing total repayments in the year to £1.074million. This left an outstanding balance of brokerage of £18.232 million to be paid over the five year period to 2022/23.

### Capital programme was delivered in full

42. NHS 24 made a small saving of £0.001million against its CRL of £0.384million. Specific funding was allocated for an IT exchange upgrade and a new Air Conditioning System at Norseman House.

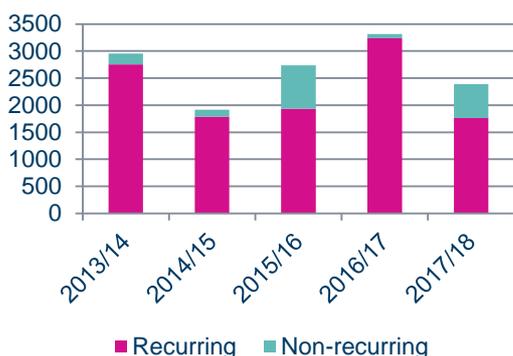
### Efficiency Savings

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

43. NHS 24's 2017/18 LDP outlined a requirement to deliver £3.3 million of savings. At the quarter one review the SGHSCD informed NHS 24 that the savings requirement could be reduced to £2.4 million, which was the amount required to ensure the Board reported a breakeven position.

- 44. From our review of reporting during the year we noted that the change to the savings target was clearly communicated to the Board at their October meeting.
- 45. Approximately 70% of savings were achieved through a reduction in departmental budgets through the Corporate Efficiency and Productivity Challenge. The remainder of savings were achieved through non-recurring savings on discretionary spend and depreciation.
- 46. As at 28 February 2018, the Board were reporting £0.653million of unidentified recurrent savings.
- 47. At the year end the Board achieved the savings target, however, only £1.76 million was on a recurrent basis with £0.628 million being one off savings.

**Exhibit 4: Historical analysis of savings achieved**



- 48. In the four years to 2016/17 the non-recurring element of savings was below 10% of the total savings target. However there was an exception in 2015/16 where an additional £0.8 million of savings was required to fund the Organisational Improvement Programme. In 2017/18 the proportion of non-recurring savings increased to 26% of the total savings target.
- 49. Reliance on non-recurring savings places additional pressures on the future financial position of the Board and will therefore requirement careful management.

### Budget monitoring and control

- 50. NHS 24 present financial monitoring reports to all meetings of the Finance and Performance Committee and Executive Management Team.

Regular updates are also presented to the Board.

- 51. Reports presented tend to be at a strategic level, but do generally include sufficient explanations for any significant variances.
- 52. Throughout the year, NHS 24 managed expenditure to within 1% of expenditure of the budgeted figures.

**Exhibit 5: Reported underspends as a percentage of RRL**



### Prevention and detection of fraud and irregularity

- 53. 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.
- 54. Regular updates are presented to the Audit and Risk Committee at each meeting through Corporate Governance Activity reports. This includes a fraud prevention update encompassing Counter Fraud Services Intelligence Alerts, NFI updates and whistleblowing.

#### National Fraud Initiative

- 55. 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.
- 56. We reviewed NHS 24's participation in NFI in February 2018. This exercise identified 296 matches of which 54 were recommended for investigation. All recommended matches had been actioned at the time of our review and 96.4% of all matches had been actioned.

57. We have therefore concluded that NHS 24's arrangements with respect of NFI are satisfactory.

### Standards of conduct

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

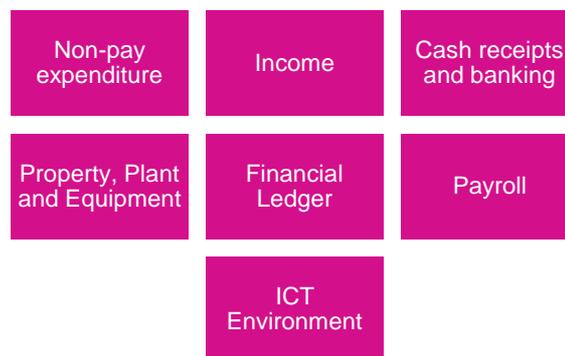
### Internal audit

59. An effective internal audit service is an important element of NHS 24's governance arrangements. NHS 24's internal audit service is provided by PricewaterhouseCoopers (PwC). During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of NHS 24's audit resource.

### Systems of internal control

60. 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.
61. We did not identify any material weaknesses in the Board's accounting and internal control systems during our final audit.

**Exhibit 6: Key financial systems evaluated in 2017/18**



# 4

## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether NHS 24 is planning effectively to continue to deliver its services or the way in which they should be delivered.

# Financial sustainability



NHS 24 has satisfactory arrangements in place for financial planning over the medium term and in 2017/18 made further improvements to their Strategic Planning and Resource Allocation ('SPRA') process.

Delivery of efficiency savings is identified as a high risk to NHS 24's ability to continue to meet its financial target in 2018/19.

NHS 24 estimate that the funding of the end of the public sector pay cap will result in additional costs of £0.8million rising to £4million by 2022/23. This is putting significant pressure on the ability of the Board to balance its budget.

## Significant audit risk

62. As outlined in our audit plan, we considered there to be a significant risk to the wider scope of our audit in relation to financial sustainability

### Brokerage and financial sustainability

The Board achieved financial balance and was able to increase the planned brokerage repayment. At 31 March 2017, the brokerage balance to be repaid to the Scottish Government totalled £19.306million.

In the 2017/18 Local Delivery Plan (LDP) there are projected costs of £5.7million attributable to double running costs of the new technology platform. NHS 24 have incorporated this into the LDP but plan to achieve financial balance while making a brokerage repayment of £0.474million in 2017/18, rising to £6.377million in 2018/19. Under the plan, in 2017/18 NHS 24 will be required to deliver efficiency savings of £2.390million in order to breakeven. There is a risk that not all planned budget savings will be delivered recurrently.

*Excerpt from the 2017/18 External Audit Plan*

63. We have reviewed NHS 24's outturn position as part of our work on financial management and the financial statements. The Board reported a small surplus in 2017/18 and made brokerage payments in excess of the required amount. Our work on the financial projections from 2018/19 onwards is set out below and notes on going challenges in achieving the recurring savings targets and brokerage repayments.

## Financial Projections and Efficiencies

64. The 2018/19 operational plan sets out a challenging financial position for NHS 24 and represents the first year of the significant brokerage repayments. However, this is also the first full year in which NHS 24 will not face double running costs with the new technology platform.
65. Unlike in the 2017/18 LDP, the Scottish Government requested a transitional arrangement for 2018/19. This involved preparing a one-year Operational Plan which will be supplemented with the National and Regional Board five-year plans by the end of September 2018. The operational plan does consider future financial pressures. NHS 24 has also further supplemented this with their own financial planning process which is aligned to the operational plan. As part of this process management, Committees, the Area Partnership Forum and the Board have received presentations on the financial outlook moving forward into future years.

**Exhibit 8: Forecast 2018/19 financial position**

|                              | 2018/19 uplift (%) |
|------------------------------|--------------------|
| Total Expenditure            | 68,822             |
| Total Revenue Resource Limit | 68,822             |
| Forecast position            | 0                  |

66. In 2018/19, NHS 24 will be required to deliver total savings of £2.06million of which £1.35million (66%) is recurring. Currently, £0.359million of the savings required are categorised as high risk.
67. NHS 24 has set a lower saving level for support and non-clinical frontline service in comparison to recent years. Over the past two financial years NHS 24 has reduced these budgets recurrently by a cumulative 20% and has considered further savings at this level to be unsustainable.

## Key assumptions and risks in the Operational Plan

68. The key high level assumptions used by NHS 24 for 2018/19 are as follows:

**Exhibit 9: Key financial assumptions**

|  | 2018/19 uplift (%) |
|--|--------------------|
| Revenue growth                                     | 1.0%               |
| Pay Uplift (for those earning £36,500 or less)     | 3.0%               |
| Pay Uplift (for those earning above £36,500)       | 2.0%               |
| Required efficiency savings for non-clinical areas | 5.0%               |

69. The assumptions underpin the operational plan and include an assessment of risk. From our review of the SPRA there has been appropriate scenario planning to understand the implications of movements in the assumptions.
70. The most significant change to the assumptions applied by NHS 24 for 2018/19 relate to the ending of the public sector pay cap. Pay increases had been held at 1% for the past seven years and this change creates a significant new budget pressure for the NHS 24. It is expected that this will add additional costs of £0.785million for 2018/19. This is a budget pressure which will apply across the health sector.
71. Funding levels for this additional cost pressure in 2018/19 is likely to be confirmed by the end of June 2018. There remains uncertainty around whether these costs will be funded in full in future years. The Board has recognised this is a high risk within the 2018/19 operational plan.

- 72. In addition to the pressures around generating efficiency savings noted above and pay associated costs, NHS 24 has recognised a further high risk assumption in relation to the funding for the Breathing Space service. Historically this service has been under funding pressure and the Board has identified a potential recurring shortfall of £0.3 million in this area. The Director of Finance and Performance is discussing plans to cover this recurrently with Scottish Government.
- 73. Costs associated with the delivery of new technology infrastructure have moved to a medium risk recognising the positive financial impact of the implementation while taking account of the future maintenance.

### Strategic Planning

- 74. Following external engagement on and full Board approval, NHS 24 published its strategy in 2017, *Helping to deliver a healthier Scotland by connecting people to health and care advice, information and support 24/7*. The Strategy advocates the potential NHS 24 role, through its national infrastructure to support the aims and ambitions within the National Health and Social Care Delivery Plan (Scottish Government/December 2016).
- 75. The Strategic Planning and Resource Allocation (SPRA) process integrates the strategic objectives to the operational, workforce, financial planning and risk management process and involves input from each of the directorates within NHS 24. As part of the SPRA, each directorate identifies:

#### Exhibit 10: SPRA considerations



- 76. The summary consolidated position was presented to the Board in April 2018 and noted increasing pressures over the five year period to 2022/23. A breakeven position is forecast in 2019/20, 2020/21 and 2021/22. Additional pressures will be faced by NHS 24 as from 2018/19 there is a significant brokerage repayment which reduces the overall resources available. The levels of repayment have however been factored in to the overall resource allocation procures and have been risk assessed within the overall financial plan as medium risk.
- 77. The SPRA document outlines the savings required to ensure a balanced budget, however the identification and achievement of the savings remains a high risk.
- 78. In April 2018 the Board received a PowerPoint presentation on the development of the SPRA and the links with this internal process and the transitional Operational Plan for 2018/19 which replaced the Local Delivery Plan process in 2018/19. The presentation was not included within the publicly available Board papers. The SPRA process was also presented and discussed at a Board Development session in January 2018.

### National Boards and Regional Planning

- 79. Revised planning structures across the Scottish public sector are being implemented with NHS 24 playing a significant role in collaborating with other National Health Boards and Regional Boards.
- 80. The National Board's Collaboration proposals for 2018-2023 are being considered as part of the overall national and regional plans to support the delivery of the aims of the Scottish Government's Health and Social Care Delivery Plan. It is anticipated that discussion documents for wider sharing with key stakeholders will be available by the end of June 2018. A key element of this work includes an enabling 5-year financial framework across the National Boards to support the transformational plans.

5

# 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.

# Governance and transparency



NHS 24 has appropriate governance arrangements in place.

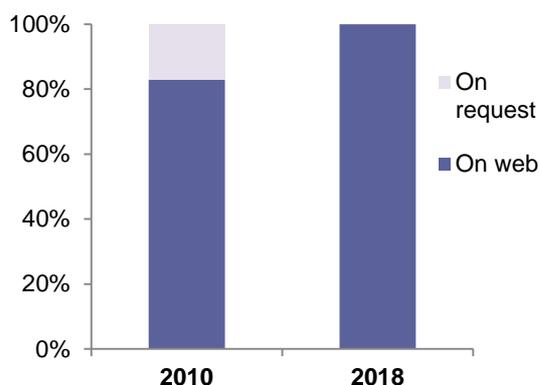
Our assessment has been informed by a review of the corporate governance arrangements in place, the information provided to the Board and Committees as well as the risk management arrangements in place.

A separate assessment of governance of the new technology platform is included in Section 6.

## Openness and transparency

81. One of the sector risks identified by Audit Scotland for 2017-18 relates to public sector organisations keeping pace with public expectations relating to openness and transparency. Audit Scotland’s Role of Boards report, published in September 2010, found that there was wide variation in the openness and transparency of boards of public bodies. NHS organisations were the most open of public boards in 2010, with 100% holding board meetings in public, against an average of 41% across the public sector. As Exhibit 12, below, highlights, our research in 2018 found that the variation that Audit Scotland reported in the availability of Board papers has been overcome.

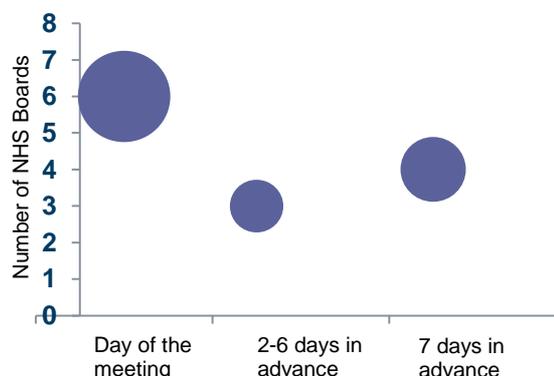
**Exhibit 12: In 2010, 17% of NHS Boards made board papers available on request only. By 2018 all NHS Board papers were available on the organisations website.**



82. We also found that all NHS bodies were clear that members of the public could attend the board meetings as observers, and that agendas were generally available in advance.

However, as Exhibit 13 outlines, of the NHS bodies that specify when Boards papers will be available, almost half make papers available on the day of the meeting. In one case, the papers are only available after the meeting has begun.

**Exhibit 13: We found only 4 NHS boards in Scotland that committed to making Board papers available a week in advance of their meetings. Most were available on the day.**



83. At NHS 24, the Standing Orders state that “The Board shall make reasonable efforts to bring the dates of Board Meetings and the Agenda to be discussed, to the attention of the general public through making them available on the NHS 24.com website.”

84. In October 2017, the *NHS in Scotland 2017* overview report stressed that more information in the public domain would help to involve staff and communities in developing the future of healthcare. Audit Scotland noted that it is important that the public, staff, and elected officials are able to easily access information about how the NHS and integration authorities

are performing so that they can get involved with and hold these bodies to account. The report identified a range of areas where transparency could improve, including allowing the public to attend committee meetings and publishing all committee meeting papers and minutes on the organisation's website.

85. Our own research highlights that while all NHS boards publish audit committee minutes on their websites, they are often only available through board papers. The timing of meetings meant that in some instances the most recently available minutes were over 6 months old.

**NHS 24: Better Practice**

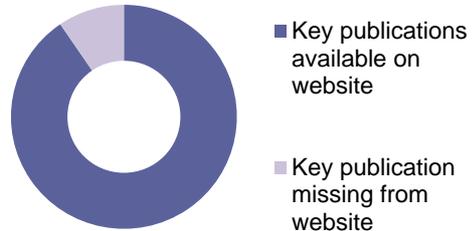
Like most NHS Boards, NHS 24 makes Audit Committee minutes publicly available through the Board papers. In recognition of the delay between meetings and requiring minutes to be approved, the Chair of the Audit Committee provides a written summary of key points emerging from the discussions at the most recent meeting.

Only two NHS Boards in Scotland make other key committee papers available publicly. We would support any future review of openness and transparency at NHS 24, including the sensitivity of papers considered at the Audit Committee, and therefore whether there is scope to make papers available publicly.

**Openness Benchmarking**

86. The following charts highlight the results of our assessment of other key openness indicators, and our commentary on NHS 24.

**Exhibit 14: Availability of key publications**



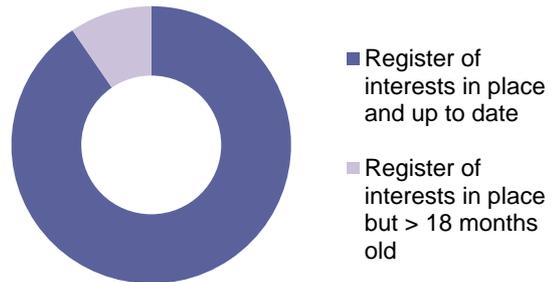
Source: Review of NHS Boards' websites March – May 2018

87. For all but two NHS Boards in Scotland, we found that all key publications were found on the website including the annual accounts, results of the annual review and Local Delivery Plan.

**Our assessment of NHS 24: Green**

All key documents were found on the website, although we note that the Plans section of the website was out of date.

**Exhibit 15: Disclosure of Interests**



Source: Review of NHS Boards' websites December 2017 – February 2018

88. All NHS Boards have a Register of Interests in place and available on the website, but in two cases we noted that the register is out of date.

**Our assessment of NHS 24: Green**

NHS 24's register of interests is easily accessible on the website, and was last updated in June 2017. We also note that members are asked to disclose any interests at the start of each Board and Committee meeting.

## Risk Management

89. Public sector bodies face increasing demand for quality services at a time of significant financial pressure. Well-developed risk management arrangements help boards to make effective decisions and secure better use of resources.
90. In recent years NHS 24 has been focused on enhancing its risk management framework. Significant steps were taken in 2016/17 including approving a formal risk appetite statement and holding development sessions with the Board.
91. This has been progressed during 2017/18 with the approval of a Risk Management Strategy in November 2017. The Operational Risk Management Group has also held a workshop to ensure the group remains fit for purpose and able to support the risk management framework effectively.
92. Internal audit conducted a further assessment of risk management arrangements during the year which identified three medium risk areas for improvement. These are being taken forward by management and include improving the link between the organisation's strategic risks and the new strategic plan.

## Disclosure of Risks

93. As part of our assessment of Board openness, we reviewed the top risks across NHS Scotland, as disclosed in Board's Financial Statements and risk registers (where publically available). We found that there are a number of strong themes across the NHS in Scotland as Exhibit 16 outlines below.

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### Exhibit 16: Top NHS Scotland Risks

- Workforce sustainability: Including the impact of factors such as Brexit, GP Sustainability and the new GP contract
- Financial sustainability: Including the inability to deliver efficiency savings and specific risks about failing to meet financial targets
- Partnership working: Risks were often linked to structural change related to the delivery of Health and Social Care Integration or the creation of the new public health body, but 7 boards mentioned stakeholder engagement.
- ICT: Including the implementation of new systems, cyber security threats, ageing ICT infrastructure and lack of funding to implement an effective ICT strategy.
- Targets: Performance targets were mentioned 7 times by 5 NHS boards – often linked to other risks such as delayed discharges, or funding and management of waiting times.

*Source: Review of NHS Annual Reports 2016-17, December 2017-February 2018*

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94. During our review of the Annual Report for 2017-18, we noted that NHS 24 discloses only one, very high rated, risk within its governance statement. There is limited commentary on how risks have changed or been managed during the year.

### Planned management restructure

95. NHS 24 has been considering its management structure and has decided to refresh the structures in place to help drive the revised strategy, create efficiencies and create improvements in delivery.
96. The Board was presented with a revised structure in April 2018 and the restructure has been approved by the Board and will have seven directorates:
  - Nursing;
  - Workforce;
  - Finance;
  - Information and Communications Technology;
  - Medical;
  - Service Delivery; and
  - Service Development.

97. NHS 24 is taking forward the move to the new directorates and are currently looking to fill posts on a permanent basis.

#### Impact of EU Withdrawal

98. Audit Scotland has identified EU withdrawal as an emerging significant risk facing public bodies across Scotland. Three streams of potential impact were identified:

- Workforce
- Funding
- Regulation

99. Updates were presented to the Finance and Performance Committee in September 2016 and April 2017. These updates outlined clear consideration of the impact on the workforce, funding and regulatory implications.

100. NHS 24 has identified the most significant risk as the impact on workforce and has started to consider the potential impact to the Board.

101. At a national level, discussions around implications for workforce across NHS Scotland have been taken forward through the HR Executive Forum.

#### Information Governance

##### Cyber Security

102. In May 2017, a number of health boards across NHS Scotland were impacted by the Wannacry global ransomware attack. In response to this the Scottish Government launched 'A Cyber Resilience Strategy for Scotland: Public Sector Action Plan, 2017/18.

103. The action plan outlines a number of requirements that public bodies should be taking forward. This includes an action for public bodies to achieve a Cyber Essentials Plus certification by the end of October 2018.

104. NHS 24 has presented regular updates to the Audit Committee and Board. The most recent update to the Board in April 2018 provided assurance that the Scottish Government deadline would be met and NHS 24 outlined their action plan to achieve this. There were no significant risks to meeting the deadline highlighted as part of this report.

##### General Data Protection Regulations

105. The General Data Protection Regulations (the Regulations) came into force in the UK on 25 May 2018. The Regulations replaces the Data

Protection Act 1998 and as well as strengthening existing regulations the Act has brought in new legislative duties for the Board. The Regulations bring significant potential penalties for non-compliance therefore increasing the importance of compliance.

106. NHS 24 used guidance issued by the Information Commissioner's Office to develop an action plan to ensure compliance with the new regulations. NHS 24's revised privacy policy was published on their website on 25 May 2018.

107. Compliance with the Regulations is an ongoing process, which we will monitor as part of our annual audit procedures. We have not identified any significant risks to compliance with the Regulations at this stage.

# 6

## 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 NHS 24's own reporting of its performance.

# Value for money



An established and appropriate performance management framework is in place at NHS 24.

Work is underway on a revised approach to measuring NHS 24’s performance. 2018/19 will be a transitional year where the Board will gather data to inform future changes to performance indicators.

NHS 24 met 15 out of 19 reported targets in 2017/18 however; performance in some areas has declined against prior year.

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

108. NHS 24 reported against 19 targets in 2017/18. We have analysed the performance against target as those which are:

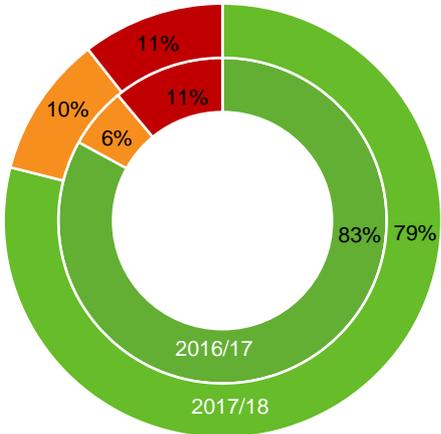
- meeting target;
- marginally below target (less than 5% below target); and
- below target (more than 5% below target).

109. Our analysis shows a good performance in general with 78% of targets being met or exceeded and only 11% more than 5% below target.

110. The timeliness of answering calls continues to present challenges to NHS 24:

- 50.9% of calls were answered, on average within 30 seconds (2016/17: 80%)
- 72.3% of breathing space calls, on average were answered within 30 seconds (prior year: 82.30%)

Exhibit 17: Performance against target in 2017/18

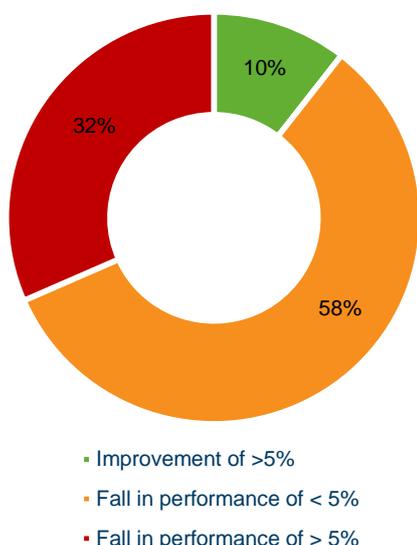


■ Meeting target ■ Marginally below target ■ Below target

111. Performance in 2017/18 is generally in line with prior years with regard to NHS 24 maintaining performance in line with targets for the majority of performance indicators. However, when comparing performance at an individual indicator level this shows that although NHS 24 are still meeting targets the performance has deteriorated in a number of areas.

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### Exhibit 18: Performance compared to 2016/17



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**112.** As noted above the performance relating to the timeliness of answering calls has decreased by over 5%. In addition to this we noted a drop in the performance of the following indicators:

- 9.2% of calls were abandoned after threshold (2016/17: 2.1%).
- An average of 61.7% decrease in Practice Health Questionnaire-Depression Test scoring was measured (2016/17: 73.9%).
- An annual average of 65.60% decrease in Generalised Anxiety Disorder-7 scoring was measured (2016/17: 74.3%).
- An average of 92.3% of GP routine calls responded to within 60 minutes (2016/17: 99.9%).

**113.** NHS 24 has faced additional pressures in 2017/18 through the implementation of the new technology platform, staff vacancies and sickness absence levels increasing. The Board has recognised that these factors will have an impact on performance and are taking action to make improvements in these areas.

### Performance Framework review

**114.** In our 2016/17 annual report we noted that the current key performance measures reported to the Board highlight strong performance against clinical indicators. However, the current indicators measure outputs as opposed to clinical outcomes and NHS 24 has noted that there could be missed learning with regard to the impact on the patient journey.

**115.** During the year, NHS 24 worked on a proposed performance framework and associated targets and outcomes aligned to the aims and outcomes in the NHS 24 strategy. The proposed approach has been presented to both the Board and Scottish Government who were both content with the direction of travel.

**116.** The framework recognises that current indicators do not always meaningfully measure either the effectiveness or appropriateness of NHS 24's response. In particular, NHS 24 wishes to focus on indicators that measure clinical outcomes and patient journeys more effectively.

**117.** No significant changes to measures have been proposed in the 2018/19 measures outlined within the operational plan. NHS 24 are using 2018/19 to build an evidence base to support a revised set of performance indicators which will be rolled out from 1 April 2019.

**118.** We noted that NHS 24 is developing further service lines and we would encourage NHS 24 to look to the future services to ensure that the performance measures align to any planned changes within the organisation.

**7**

# Major programmes

# Major programmes

## Background

- 119.** In 2011 NHS 24 embarked on an ambitious and complex programme through which it planned to transform how it provided its patient care services.
- 120.** The original programme to procure and implement a new call handling and decision support system - the Strategic Frontline Application (SFLA) – was combined in 2012 with a Service Redesign Programme to form the Future Programme.
- 121.** Following several failed attempts to implement the new systems, a thorough review was undertaken in January 2016 to determine underlying causes for the failure.
- 122.** As a result of the review four workstreams were created to provide a focus for a future successful implementation. These were:
- Organisational preparedness
  - Partner readiness
  - Technical assurance
  - Contractual arrangements
- 123.** To help support these workstreams a number of senior Programme Management appointments were made and several independent assurance groups formed to provide additional support to the Programme Board. An experienced independent advisor was also appointed to provide additional assurance directly to the NHS 24 Board.
- 124.** Following the discovery of additional technical challenges in April 2016, the Board agreed to a phased implementation approach comprising:
- The launch of the telephony only elements of the new system for the six Planned Care services in September 2016
  - A pilot implementation with a single NHS territorial board in May 2017 (T1)
  - National rollout across the remaining territorial boards later in 2017 (T2)
- 125.** In June 2016 the NHS 24 Board agreed the need for a comprehensive Organisational Improvement Programme (OIP) to address operational and cultural weaknesses highlighted during the Future Programme and to pull together other change related projects being undertaken across the organisation.
- 126.** It was also recognised that NHS 24 did not have the necessary skills to manage this scale of transformational programme and so additional resources were recruited to manage the delivery of the programme of work.
- 127.** A Programme Brief was prepared for the Organisational Improvement Programme and approved by the NHS 24 Board in November 2016 setting out the overall objective for the Programme and setting a direction of travel. A full Business Case was prepared and approved by the NHS 24 Board in June 2017.
- 128.** The programme comprised of five key areas of work linked to strategic initiatives across the health and social care system:
- Service delivery based on a Model Office incorporating the new technology platform to be used to develop and test new processes and integration enhancements with partners to support improvements to service users
  - GP Triage – a coordinated and scalable solution to support GP triage during the in-hours period
  - Advanced Clinical Support – the introduction of GPs and Advanced Nurse Practitioners (ANPs) and additional clinical supervision as part of NHS 24 frontline clinical workforce to reduce the volume of patients requiring referral into local healthcare systems during the out of hours period
  - Mental Health –increasing the provision of mental health specialists available in NHS 24 with the aim of reducing the number of mental health calls requiring further support from health partners
  - Modernising Outpatients – Working collaboratively with NHS Board regional planning groups and the Scottish

Government to determine how NHS 24 can use innovative pathways to deliver care in relation to return outpatient appointments.

- 129.** Following the approval of the Programme Brief, a dedicated Programme Management Office (PMO) was established to support each of the above projects. However, while work was undertaken to develop the other areas, the primary focus of the PMO and supporting Governance Groups was understandably on the successful delivery of the single Board implementation of the Model Office and underlying technology in May 2017 followed by the rollout across the remaining territorial Boards which was successfully achieved in October 2017.
- 130.** The total costs associated with the Organisational Improvement Programme are projected to be £131.2 million over the thirteen years from 2011/12 to 2024/25. NHS 24 are confident that costs will not rise above this level.
- 131.** The work of the PMO reflected several lessons learned from previous failed attempts including:
- A more inclusive and collaborative team culture
  - A focus on ensuring there were adequate levels of operational staff who were fully trained and sufficiently experienced in the new technology
  - A more robust programme management approach
  - A fully collaborative approach with the Health Boards to address any concerns raised
- 132.** The successful launch of the technology platform resulted in the standing down of many of the resources which had been committed to this work including parts of the PMO and the Assurance Groups which had been supporting the Board's oversight of the project.
- 133.** In standing down the Assurance Groups made a number of observations in relation to post implementation issues which need to be addressed by the ongoing transformational programme. These include:
- To build on the experience of team based working

- To review shift patterns
- To recognise and monitor the role of NHS 24 as the Design Authority in relation to the core technology platform and the need to ensure that sufficient technical resource is available at the appropriate times to fulfil this role

## Looking to the Future

- 134.** In January 2018, the Board approved a revision to the scope and name of the Organisational Improvement Programme (OIP) to the Service Transformation Programme (STP). This is to reflect the more collaborative nature of the work now being engaged in and to allow the organisation to move forward now the technology platform has been successfully delivered.
- 135.** To support the new programme and to reflect wider changes to the organisation a revised Executive Team structure is being implemented which includes a Service Development Directorate with responsibility for the development and delivery of the STP including the Programme Management Office (PMO).
- 136.** The planning process for the Service Transformation Programme is ongoing but is intended to reflect many of the elements of governance which successfully delivered the core technology platform.
- 137.** NHS 24 have also recently commissioned the University of Edinburgh to undertake a comprehensive Lessons Learned exercise to ensure that the Board and the wider public sector can benefit from the considerable experience gained over the past seven years.

# 8

## Appendices

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

## Responsibility for the preparation of the annual accounts

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

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

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

**Board members are also responsible for:**

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

## Auditor responsibilities

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

- they give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM ;
- they have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the

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

- National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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

## **Wider scope of audit**

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual report and accounts, 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.

# Appendix 2: Action plan

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

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

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.  |

| Action plan point   | Issue & Recommendation  | Management Comments  |
|---|---|--|
| <p><b>1. Reflection on and sharing of the Lessons Learned</b></p> | <p><b>Observation</b><br/> The considerable resources and efforts expended over the past seven years in ultimately delivering a successful technology platform, offering the basis for ongoing innovation in the provision of health and social care services, must be recognised as should the experiences both good and bad.</p> <p>It is therefore critical that NHS 24 and the wider public sector adopt practices and structures in future programmes to clearly reflect the lessons learned from the NHS 24 experience.</p> <p><b>Recommendation</b><br/> The University of Edinburgh Lessons Learned exercise is an opportunity for NHS 24 to clearly communicate with the public sector across Scotland and the wider UK on how the organisation has successfully delivered a highly complex project but also the pitfalls experienced on the way and how to avoid them in the future.</p> <p>Similarly in preparing the plans for the delivery of the Service Transformation Programme NHS 24 must clearly show it has learned from the past in terms of the resources, processes and governance structures put in place to ensure maximum chances of success.</p> | <p>The lessons learned exercise will be undertaken to allow communication to the public sector across Scotland and the wider UK on the programme.</p> <p><b>Responsible officer:</b><br/> Chief Executive</p> <p><b>Implementation date:</b><br/> 30 November 2018</p> |
| <p><b>Rating</b></p>  |   |  |
| <p><b>Grade 3</b></p>   |   |  |
| <p><b>Paragraph ref</b></p>                                       |   |  |
| <p><b>128</b></p>   |   |  |

| Action plan point                                     | Issue & Recommendation   | Management Comments  |
|---|--|--|
| <b>2. Role and resourcing of the Design Authority</b> | <p><b>Observation</b><br/>The revised direct contracts with the technology suppliers will result in NHS 24 being confirmed as fulfilling the role of the Design Authority in relation to the technology platform now successfully implemented.</p> <p>This role means that NHS 24 has responsibility for all future design implications arising from any system changes or upgrades. Given the complexity of the technical solution this should not be underestimated.</p> <p><b>Recommendation</b><br/>As part of the planning for the implementation of the Digital Roadmap, details of any future planned upgrades to the underlying technology should be identified and included to ensure that sufficient technical resource can be secured at the appropriate time to support any upgrade or transitional arrangements required.</p> | <p>The new contracts set out clearly the responsibilities of NHS 24 including how the design authority process will operate. NHS 24 is also preparing a new eHealth Strategy which will include an assessment and plan to deliver the required in-house capability to support these new arrangements.</p> <p><b>Responsible officer:</b><br/>Chief Executive</p> <p><b>Implementation date:</b><br/>31 December 2018</p> |
| <b>Rating</b>   |  |  |
| <b>Grade 2</b>  |  |  |
| <b>Paragraph ref</b>                                  |  |  |
| <b>128</b>  |  |  |

# Follow up on prior year action plan

|  | Issue & Recommendation   | Management Comments  | 2018 update   |
|--|--|--|---|
| <b>1. Employment contracts</b>                 | <p><b>Observation</b><br/>A sample of thirteen employment contracts was tested. We found one signed employment contract was missing from HR records. This employee had been employed by NHS 24 since 2003. We reviewed evidence that attempts had been made by NHS 24 to receive this contract.</p> <p><b>Recommendation</b><br/>Whilst we were able to obtain alternative audit evidence to support our testing, signed employment contracts should be maintained for all NHS 24's employees.</p>   | <p>This instance related to an employee who started with NHS 24 in 2003, at a time when copies of Contracts were not saved in the file or there were separate computer files. However, signed copies are now kept on file for all new employees.</p> <p><b>Action owner:</b><br/>Director of Human Resources</p> <p><b>Due Date:</b><br/>Complete</p>  | <p><b>Action complete</b><br/>As part of our 2017/18 audit, we tested a sample of 33 employees and there were no instances where the employee did not have a contract in place.</p>   |
| <b>Rating</b>                                  |  |  |   |
| <b>Grade 3</b>                                 |  |  |   |
| <b>2. Fully depreciated non-current assets</b> | <p><b>Observation</b><br/>45% of the gross book value of non-current assets (PPE and intangibles) as at 31 March 2016 relates to assets that remain in use yet have been fully depreciated or amortised.</p> <p>However, NHS 24 has advised that following successful roll-out of the new technology platform, NHS 24 will hold very few IT assets on their register, and therefore this percentage will be significantly reduced.</p> <p><b>Recommendation</b><br/>The useful economic lives applied to all asset categories should be reviewed to ensure that they remain appropriate.</p> | <p>The majority of assets which have been fully depreciated or amortised will be disposed following the successful roll out of the Organisational Improvement Programme. Any remaining assets with a zero net book value will be assessed following the implementation of the Organisational Improvement to see if it would be appropriate to amend the useful economic lives.</p> <p><b>Action owner:</b><br/>Deputy Director of Finance</p> <p><b>Due Date:</b><br/>March 2018</p> | <p><b>Action complete</b><br/>A significant verification exercise was undertaken following the implementation of the Organisational Improvement Programme. This has resulted in a number of fully depreciated and low net book value assets being disposed.</p> |
| <b>Rating</b>                                  |  |  |   |
| <b>Grade 2</b>                                 |  |  |   |

|  | Issue & Recommendation  | Management Comments   | 2018 update   |
|--|---|---|---|
| <b>3. Non-current asset tagging</b>                              | <p><b>Observation</b><br/>All assets included within the asset register are allocated a unique reference number. However the physical assets are not individually labelled. It is therefore not possible to undertake a physical verification of assets from the register to the floor (or vice versa), without the involvement and knowledge of the relevant facilities or IT personnel.</p> | <p>The use of asset tagging will be considered once the Organisational Improvement Programme is operational and the number of assets on the asset register is at a steady state. A number of the remaining assets are intangible which are not able to be tagged and the location of other assets in plant rooms and under floors will still require the involvement of facilities or IT personnel.</p> | <p><b>Action Complete</b><br/>As noted above, a significant exercise has been undertaken in the year to identify assets which have been disposed of. Asset verification performed during the audit did not encounter any challenges in locating assets.</p> |
| <b>Rating</b>  |   | <p><b>Action owner:</b><br/>Deputy Director of Finance</p>  |   |
| <b>Grade 2</b>   | <p><b>Recommendation</b><br/>To prevent against the possible misappropriation of assets, we recommend that new assets acquired, across all sites, are appropriately labelled when brought into use to create a direct link between the fixed asset register and the physical assets.</p>  | <p><b>Due Date:</b><br/>March 2018</p>  |   |
| <b>4. National Rollout detailed planning and risk management</b> | <p><b>Observation</b><br/>With only four months to complete the national rollout of the new Model Office and supporting technology, it is essential that focus is maintained on key risks associated with this cornerstone of the Organisational Improvement Programme.</p>   | <p>Agreed. The planning and management of the next stages of the programme are already a top priority for senior management and will remain so until completion.</p>  | <p><b>Action Complete</b><br/>Refer to section 6 for detailed assessment. Recommendation was implemented as part of the final implementation phase.</p>   |
| <b>Rating</b>  | <p><b>Recommendation</b><br/>Detailed planning and operational coordination needs to be completed to ensure the following areas are addressed:</p>  | <p><b>Action owner:</b><br/>Chief Executive</p>   |   |
| <b>Grade 3</b>   | <ul style="list-style-type: none"> <li>• Recruitment and training of sufficient staff members in the new technology and operational procedures to deliver the new service;</li> <li>• Efficient and effective resolution of any technical issues which may arise during</li> </ul>  | <p><b>Due Date:</b><br/>October 2017</p>  |   |

|   | Issue & Recommendation   | Management Comments  | 2018 update   |
|---|--|--|---|
|   | final preparations;<br><ul style="list-style-type: none"> <li>Monitoring and addressing of any operational or cultural issues identified during the rollout process; and</li> <li>Clear and regular communications and coordination with external partners and stakeholder.</li> </ul>   |  |   |
| <b>5. Comprehensive lesson learned exercise</b> | <p><b>Observation</b><br/>           The past 7 years have proven to be severely challenging for NHS 24. Significant errors have been made and tough decisions have needed to be made as a result. However, as the organisation hopefully finally emerges from this period, it is important for NHS 24 as an individual organisation, and as part of the wider public sector, to fully reflect on these experiences.</p> <p><b>Recommendation</b><br/>           To ensure NHS 24, and the wider public sector, can learn from the experiences of the past 7 years, and to illustrate how the new Organisational Improvement Programme has reflected on these lessons, a</p> | <p>Agreed, both with the need to undertake this exercise and with the recommended timing.</p> <p><b>Action owner:</b><br/>           Chief Executive</p> <p><b>Due Date:</b><br/>           January 2018</p> | <p><b>Action superseded</b><br/>           Refer to action point 2 in 2018 action plan.</p> |
| <b>Rating</b>                                   | <p>comprehensive lessons learned exercise should be undertaken with the results shared to highlight how key issues have arisen and how they have been resolved.</p>  |  |   |
| <b>Grade 3</b>                                  | <p>To avoid impacting on the efforts relating to the national rollout of the Model Office, this exercise should be undertaken only once this final stage of the process has been successfully completed.</p>   |  |   |

|  | Issue & Recommendation   | Management Comments   | 2018 update  |
|--|--|---|--|
| <b>6. Evolution of Governance Structures</b> | <p><b>Observation</b><br/>Over the past two years the governance structure applied to the Future Programme, and now the Organisational Improvement Programme, has been strengthened to provide the NHS 24 Board with additional support and assurance. This has provided valuable insights to the NHS 24 Board allowing it to make informed decisions for major programmes for which it is ultimately responsible and accountable.</p> <p>As the Organisational Improvement Programme moves into the next phase of its delivery this governance structure needs to be reviewed to ensure it remains effective.</p> <p><b>Recommendation</b><br/>Once the national rollout of the Model Office and the detailed planning for the delivery of the Organisational Improvement Programme have been completed, the governance structure should be reviewed to ensure it remains effective and those involved are appropriate.</p> | <p>Agreed. Governance arrangements will continue to be reviewed and refined.</p> <p><b>Action owner:</b><br/>Chief Executive</p> <p><b>Due Date:</b><br/>October 2017</p> | <p><b>Action completed</b><br/>A wider review of the governance arrangements for NHS 24 have been reviewed and a revised senior management structure is in the process of being appointed and implemented.</p> |
| <b>Rating</b>                                |  |   |  |
| <b>Grade 3</b>                               |  |   |  |

# Appendix 3: Unadjusted Error

We identified the following adjustment during the audit. We have discussed this adjustment with management and have agreed that it would not be incorporated into the financial statements.

| Adjusted difference  | SoCNE          |             | Balance Sheet |             |
|--|----------------|-------------|---------------|-------------|
|  | DR<br>£'000    | CR<br>£'000 | DR<br>£'000   | CR<br>£'000 |
| Expenditure (Property Running Costs)   | 133            |             |               |             |
| Creditors  |                |             |               | 133         |
| <i>Being an adjustment to recognise operating lease costs over the lease period. The impact of this would be increase spend against the RRL to £72.537million.</i> |                |             |               |             |
| <b>Net impact on income / expenditure</b>  | <b>(£133k)</b> |             |               |             |



**Scott-Moncrieff**  
business advisers and accountants

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