

# NHS 24

Report on the 2008/09 Audit

July 2009



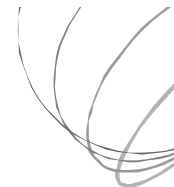
 AUDIT SCOTLAND

# NHS 24

**Report on the 2008/09 Audit**

# Contents

<b>Key Messages</b>	<b>1</b>	<b>Looking Forward</b>	<b>23</b>
<b>Introduction</b>	<b>3</b>	<b>Appendix A: Action Plan</b>	<b>25</b>
<b>Financial Statements</b>	<b>5</b>	<b>Appendix B: National Studies</b>	<b>26</b>
<b>Use of Resources</b>	<b>9</b>		
<b>Governance and Accountability</b>	<b>13</b>		
<b>Performance</b>	<b>19</b>		



# Key Messages

## **Introduction**

In 2008/09 we looked at the key strategic and financial risks being faced by NHS 24. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## **Financial statements**

We have given an unqualified opinion on the financial statements of NHS 24 for 2008/09. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## **Financial position and use of resources**

The Board carried forward a £255,000 surplus from 2007/08 and planned to fully utilise this to fund non-recurring expenditure commitments in 2008/09. During 2008/09 the Board recorded a cumulative surplus of £79,000, after utilising the surplus which was carried forward from 2007/08, relative to a Revenue Resource Limit of £57.1 million.

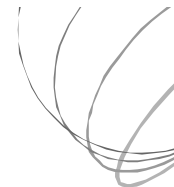
As outlined in the Board's Financial Plan there will be tighter financial settlements in 2009/10 and future years compared to previous years, with an uplift of 3.15% in 2009/10. This will have a significant impact on long term financial planning and the control of costs. The Board's Cost Savings Plan for 2009/10 has identified that approximately £1.2 million of cash releasing savings will be required if the Board is to achieve financial breakeven in 2009/10.

## **Governance and accountability**

Corporate Governance is concerned with the structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall, the corporate governance and control arrangements for NHS 24 operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems underpinning the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Clinical governance arrangements were streamlined during the year and greater clarity over the roles and responsibilities of supporting groups has been achieved. The Clinical Governance and Risk Management Committee continues to monitor compliance with the NHS Quality Improvement Scotland (QIS) Standards through the Clinical Governance and Risk Management Workplan.



## **Performance**

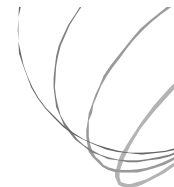
We have concluded that NHS 24 has in place sound processes and systems for monitoring performance against the Local Delivery Plan targets and that the Board was successful in achieving all of its HEAT targets and all but one of its local internal targets. Continuing to achieve these targets remains critical to the successful delivery of NHS 24 services.

## **Looking forward**

Beyond 2009/10 there is uncertainty as to funding levels in the NHS in Scotland. Without that certainty it will be difficult to plan services to deliver HEAT targets, to fund unplanned additional costs should they arise (e.g. Equal Pay claims), and to plan to broaden the range of services offered by NHS 24.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland**  
**July 2009**

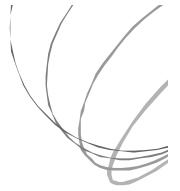


# Introduction

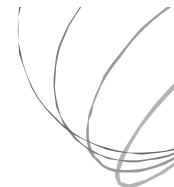
1. This report summarises the findings from our 2008/09 audit of NHS 24. The scope of the audit was set out in our Audit Plan presented to the Audit Committee on 15 January 2009. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a number of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. Best value duties apply across the public sector and, in the health service, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of NHS 24's arrangements.

## Exhibit 1: Framework for a best value audit of a public body





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports in appendix B. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS 24 during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

7. In this section we summarise key outcomes from our audit of NHS 24's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

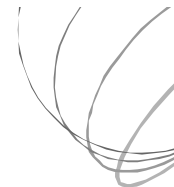
## Our responsibilities

8. We audit the financial statements and give an opinion on:
- whether they give a true and fair view of the financial position of the Board and its expenditure and income for the period in question
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
  - the consistency of the information which comprises the management commentary with the financial statements
  - the regularity of the expenditure and receipts.
9. We also review the Statement on Internal Control by:
- considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the Statement are consistent with our knowledge of the Board.

## Overall conclusion

10. We have given an unqualified opinion on the financial statements of NHS 24 for 2008/09.
11. As agreed, the unaudited accounts were provided to us on 27 April 2009. It was acknowledged that this would be a very challenging date to achieve but we are pleased to record that the financial statements and a full set of working papers were available for audit review at the agreed date. However, due to this early closure, a full management review of the financial position had not been completed which resulted in a number of amendments having to be processed during the audit some of which are discussed further below. The good standard of the supporting papers and the timely responses from NHS 24 staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 11 June 2009 as outlined in our Annual Audit Plan.





## Issues arising from the audit

12. As required by auditing standards we reported to the Audit Committee on 11 June 2009 the main issues arising from our audit of the financial statements. The key issues reported were as follows:
13. **Payroll accrual.** Payments of overtime and other enhancements (£732k) due for work undertaken one month are not paid until the following month. The March 2009 costs had not been accrued into the 2008/09 financial statements but had been treated as a charge to 2009/10. Following review and discussion between ourselves and management, it was agreed that these would be more properly accounted for as a charge to the 2008/09 financial year. As a consequence, an amendment was made to the financial statements and operating costs were increased to include this payroll accrual.
14. **Provisions.** The financial statements originally presented for audit included provisions of £511,000. Following a review of the accounts by management (see paragraph 11 above), the provisions were re-assessed. As a consequence, and in consultation with the Scottish Government Health Directorate (SGHD), the provision for holiday pay (£131k) was no longer considered to be appropriate as it represented an adjustment which will be necessary when the financial statements are reported under International Financial Reporting Standards (IFRS), i.e. in 2009/10. The dilapidations element of the provision, which was originally set up to cover the four main NHS 24 sites (£279k) and represented a cumulative provision since the start of the lease period, was amended to ensure that the required provision will be built up over the remainder of the lease period. We have been given formal assurances, in the letter of representation, that the revised provision represents a prudent estimate of anticipated costs.
15. **Asset verification.** A major exercise was undertaken during 2008/09 in order to physically verify the assets to the asset register. Management are to be commended for the effort and diligence in undertaking this work. The exercise identified assets which required to be written out of the asset register (£64k) and also identified infrastructure assets which might have had an inappropriate life-span attributed (£128k). Management therefore decided to regularise the book value and wrote down the assets by £193k. Following a review of the accounts (see paragraph 11 above), the write-off was re-assessed. The decision to revise the asset life span of the infrastructure assets was not considered robust enough to continue and as a consequence, £128k was released back into the operating cost statement. We have been given formal assurances in the letter of representation that the fixed asset value as recorded in the accounts has been properly calculated.
16. **Agenda for change provision.** During 2007/08, management became aware of outstanding staff grading reviews associated with Agenda for Change and decided to provide £100k to support future payments. During 2008/09, this provision has been released based on judgement that no residual provision for Agenda for Change payments is considered necessary. We have been given formal assurances in the letter of representation that, as there were no successful appeals in 2008/09 and no appeals pending as at 31 March 2009, it was deemed unnecessary to record a liability within the 2008/09 accounts.



17. **Unsocial hours prepayment.** A new harmonised system of unsocial hours payments was agreed by the SGHD to replace the current interim regime. As a consequence some administrative and clerical staff who received a 10% addition to basic pay, were to receive a single payment of 30% of basic pay as compensation prior to moving onto the new system. The cost to NHS 24 was some £439k which was assessed by management as being applicable for the 3 years to 2010/11. Some £293k was therefore accounted for as a prepayment. We consider the compensation payment to be a charge in respect of 2008/09. As a consequence, £293k additional expenditure was taken to the Summary of Uncorrected Misstatements.
18. **British Telecom credit note.** Management have advised that discussions were ongoing for some time with British Telecom (BT) to identify potential overcharging. A credit note was received from BT in May 2009 for some £355k in respect of elements of double charging from 2005 onwards. This represents a reduction to expenditure applicable to 2008/09. This arrived too late for inclusion in the current draft of the financial statements and as a consequence £355k credit has been taken to the Summary of Uncorrected Misstatements.
19. **Equal pay claims.** NHS Trusts in England have settled equal pay claims for employees in traditionally female roles and similar claims have now been received by Boards in Scotland. NHS 24 has included an unquantified contingent liability in the accounts as the figure cannot be readily calculated. By the end of March 2009, there were 15 grievances registered against NHS 24. In view of the number of claims, I have concluded that the potential liability is unlikely to be material to the financial position of NHS 24 as at 31 March 2009. Further details on this issue are included at paragraphs 20 - 22 below.

#### Risk area 1

### Equal Pay Claims

20. Article 141 of the Treaty of Rome requires member states to ensure and maintain “the application of the principle that men and women should receive equal pay for equal work”. This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. In the UK, the Equal Pay Act 1970 is seen as fulfilling Britain's obligations in relation to equal pay. The National Health Service in Scotland has received a number of claims for equal pay in which additional back pay is sought, arising from the requirement for equal pay. The NHS Central Legal Office (CLO) is instructed by the Management Steering Group of the NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
21. The CLO has advised that, although some liability is probable, it is not possible to estimate the impact of the claims, and it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2008/09 financial statements of affected NHS Boards.



22. We continue to strongly encourage NHS 24 management, working with the Scottish Government Health Directorates, the CLO and other NHS Boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

## Regularity

23. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## International financial reporting standards (IFRS)

24. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
25. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit.
  - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
26. The opening balance sheet and supporting documentation were submitted by NHS 24 for audit for review by the deadline date of 28 November 2008. The restated balance sheet and supporting working papers provided were comprehensive.
27. We made some recommendations for the delivery of the next stage of IFRS reporting and will consider progress on these when we review the shadow accounts later in 2009. These included component accounting, the review of the lease agreement with NHS Greater Glasgow and Clyde relating to the shared premises at Cardonald and the recognition of intangible assets.
28. We have been provided with assurances from officers that the issues raised are being reviewed and where appropriate will be addressed in the shadow 2008/09 IFRS based accounts.



# Use of Resources

29. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of NHS 24's:

- financial position
- financial management
- management of people
- management and use of information and communications technology (ICT).

## The Board's financial position

### Outturn 2008/09

30. NHS 24 is required to work within the resource limits and cash requirement set by the Scottish Government. The Board's performance against these targets is shown in Table 1.

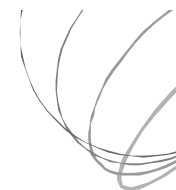
**Table 1**

**2008/09 Financial Targets Performance £'000s**

<b>Financial Target</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Revenue Resource Limit	57,102	57,023	79
Capital Resource Limit	1,572	1,546	26
Cash Requirement	53,700	53,604	96

31. The Board has recorded a cumulative surplus of £79,000. As the Board carried forward a £255,000 surplus from the previous year, this means that there was an in-year deficit of £176,000 which it utilised during 2008/09 to fund a number of non-recurring expenditure commitments.

32. Table 2 below shows how the surplus of £79,000 was achieved through a combination of recurring and non-recurring funding. Historically Boards have relied upon a measure of non recurring funding to achieve financial targets. However, with the tightening financial settlement in future years and the option of capital to revenue transfers no longer available to Boards, there is less scope for reliance on non-recurring income to achieve financial balance as Boards seek to rationalise their cost base.



**Table 2**

**Funding Position 2008/09**

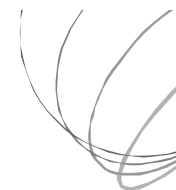
	£ Million	£ Million
Recurring income	56.3	
Recurring expenditure	59.6	
Recurring savings	3.7	
<b>Underlying recurring surplus/(deficit)</b>		0.4
Non-recurring income	0.8	
Non-recurring expenditure	2.2	
Non recurring savings	1.1	
<b>Non-recurring surplus/(deficit)</b>		(0.3)
<b>Financial surplus/(deficit)</b>		0.1
<b>Underlying recurring surplus/(deficit) as a percentage of recurring income</b>		0.71%

**Financial sustainability and the 2009/10 budget**

33. There were tighter financial settlements in 2008/09, relative to prior years, with an uplift to revenue funding of 3.15%. This trend has continued in 2009/10 where the uplift was again set at 3.15%. This will have a significant impact on long term financial planning and the control of non pay costs. In addition, in common with other public sector organisations, boards have been set an efficiency savings target of 2% in 2009/10. However, given the current economic situation and the impact of the UK Government spending review, there is a risk that the current level of uplift will not be received by Boards in 2010/11.
34. The 2009/10 budget assumes a 3% uplift for both pay and general prices. Clear plans are in place to support the planned efficiency savings for 2009/10 which are expected to be in excess of the 2% target. However, efficiency savings for future years have yet to be identified. Specific service developments and cost pressures are being financed within this plan. NHS 24 faces a challenging year to remain in financial balance and to ensure that efficiencies are achieved.

**Risk area 2**

35. The Three Year Financial Plan 2009/10 – 2011/12 recognises that there is a risk of future cost pressures relating to National Programmes and strategic development proposals that are not fully funded by SGHD or other Boards. In addition there is a need to fund technical revisions and updates for IT and telephony and costs relating to the forthcoming expiry of two significant contracts. A review of the resourcing of frontline staff is also underway, which includes a re-modelling of resource requirements based on different scenarios to achieve KPI outcomes.



36. In response to the necessity to develop the Scottish Flu Service due to the outbreak of A/H1N1 Swine Flu in the UK, additional costs are being incurred by NHS 24. As at end May, some £1.1 million had been committed with £0.4 million having been received as additional allocation at that time. However, assurances have been given by the Scottish Government that all costs will be met in full.

## Financial management

37. Audit Scotland is developing a range of audit toolkits to cover key best value principles. These are being developed so that they can be used both by auditors and by NHS bodies themselves for self-assessment purposes. The toolkits cover a number of key themes split up into modules which are capable of being applied separately or as a whole. The first of the toolkits, which covered five key themes of high quality effective financial management, was piloted in a number of NHS bodies during 2007/08. We applied one of the modules, Financial Governance and Leadership, to NHS 24 during 2007/08.
38. Our detailed report was issued in December 2008 and drew upon examples of good practice across the NHS in Scotland. Our report concluded that there were effective governance arrangements in place which have been demonstrated by strong leadership from the top, knowledgeable and experienced finance staff, and an effective audit committee. We recommended that the Board should use the report and the toolkit to develop an action plan to address the development areas identified. We intend to follow-up the Board's progress in developing an action plan to address the areas where performance could be improved.

## People management

39. Absence management has been a significant issue for NHS 24. However progress is being made with sickness absence reducing from 8.6% at March 2008 to 5.6% by March 2009. The 6% HEAT target has been bettered in the last 3 quarters of the year. While the NHS in Scotland is striving to achieve an overall 4% sickness absence target, NHS 24's 6% target was considered to be reasonable given the nature of the service in that service delivery is largely out of hours. Included within its 2009/10 corporate plan is a commitment to sustain and improve the average attendance rate.
40. Recruitment and retention is a key issue for NHS 24. The Local Delivery Plan for 2008/09 set a target for the percentage of employees leaving per year to be reduced to 20% or less by March 2009. The reported attrition rate at the end of March 2009 is 13.1% meaning that there is less need to recruit for replacements. During the year various recruitment initiatives were introduced, including targeted recruitment campaigns and a multi-disciplinary action plan for nurse recruitment. However there remain ongoing challenges in the recruitment and retention of nurses. As noted in the Corporate Risk Register, there is a risk that the service will not be delivered at the required performance level if attrition is not matched by sufficient nurse recruitment.



41. During 2008/09 we carried out a brief review of NHS 24's process for the completion of its staff governance action plan. The work was carried out in response to a request from the Scottish Government to Audit Scotland for external auditors to review boards' procedures in relation to staff governance. The main purpose of our review was to ensure that the staff governance action plan addresses issues arising from:
- staff survey results
  - mandatory statistics on people management
  - any outstanding issues from the previous year's action plan.
42. Our review also included checking that the staff governance action plan includes clear timescales, identifies responsible officers and sets out measurable actions. Overall, we noted that NHS 24 has a robust process in place for the production of its staff governance action plan.

## Management and use of ICT

43. As part of the 2008/09 audit plan, we intended to review several aspects of the Board's management and use of ICT. These were:
- a best value review of the use of information management resources
  - a review using the *Your Business @ Risk* audit tool to provide an understanding of how information risk and security is understood throughout NHS 24
  - a focussed review of data handling.
44. It was intended that all of these reviews would be undertaken during the period February to May 2009. However, due to the impact of the outbreak of the Influenza A/H1N1 flu virus, key staff were diverted into developing the NHS 24 tactical response and, as a consequence, were unable to accommodate these audit reviews. We have however been advised by management that, if possible, these audit reviews will be progressed during Autumn/Winter 2009/10.
45. NHS 24 is sourcing major parts of their ICT infrastructure from commercial partners. CAS Services Ltd (Clinical Solutions) is the supplier of the main frontline application software, the Patient Relationship Management (PRM) system, and British Telecom (BT) provides the IT system infrastructure. NHS 24 is in the process of extending their contract with Clinical Solutions to March 2012 which will be in line with the end of the BT contract. The Board now needs to focus its attention and consider how the major parts of the infrastructure will be sourced when the contracts come to an end. The development of a new frontline application will be a significant undertaking for NHS 24.



# Governance and Accountability

46. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our main findings arising from our review of NHS 24's arrangements.
47. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

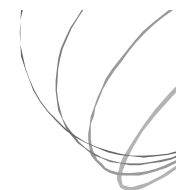
## Overview of arrangements

48. This year we reviewed:
- patient safety and clinical governance
  - partnership working arrangements
  - key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
49. Our overall conclusion is that arrangements within NHS 24 are sound and have operated throughout 2008/09.

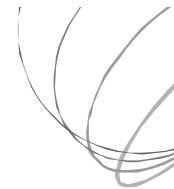
## Patient safety and clinical governance

50. The Clinical Governance Committee is a statutory Committee established to provide the Board with assurance that appropriate clinical governance mechanisms are in place and operating effectively. The Committee met six times during the year.
51. The Committee is monitoring compliance with the NHS Quality Improvement Scotland (QIS) Standards. NHS QIS undertook a clinical governance and risk management review against three specified standards in August 2006 and gave a score of five (with the lowest possible score being three) out of twelve. Areas for improvement were identified and action plans agreed, which the Committee has incorporated into the Clinical Governance and Risk Management Workplan and has been actively monitoring. NHS 24's second review is scheduled for August 2009.



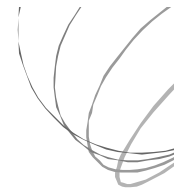


52. A self-assessment against the NHS QIS baseline was undertaken, with the support of internal audit, during the year. This self-assessment identified a number of significant exceptions across all three standards, covering both the evidence available to support compliance and quality of documentation. Action has been taken by NHS 24 to address these issues and in compliance with NHS QIS requirements, the self-assessment tool has been completed and submitted together with related evidence to NHS QIS in June 2009. We shall monitor the outcome of this review.
53. The NHS 24 Clinical Governance Framework and Activities of Clinical Effectiveness was approved in May 2009. This framework sets out the arrangements NHS 24 has in place for the planning, building and assessment of clinical services with unscheduled care network partners. In addition, NHS 24 is working towards an agreed set of common clinical guidelines and is developing clinical performance indicators to cover the full patient journey across all parties. This should assist in ensuring a more standardised approach across all parties involved in the patient journey.
54. Clinical Practice Standards are being implemented and monitored as a means of making improvements and sharing of good practice. This will further assist the application of a standardised approach working to agreed governance structures. In addition NHS 24 has recognised the need for a comprehensive Clinical Effectiveness Plan to demonstrate how clinical services are delivered, monitored and improved. This plan is being developed during 2009/10 and will involve consultation with stakeholders and frontline staff.
55. During the year NHS 24 implemented the "Respond" system to record all incidents (adverse events and incidents, risks, complaints/compliments/comments and partner feedback). This allows the production of reports across all services and will identify themes and trends. The next phase of the project will involve the roll out of the system to frontline staff to log incidents, such as child protection concerns.
56. In April 2009 the first UK cases of swine flu (A/H1N1 Influenza) were confirmed by the Scottish Cabinet Secretary for Health and Wellbeing. On 11 June 2009 the World Health Organisation (WHO) raised the alert from phase 5 to phase 6 indicating that they believe that the disease will reach pandemic levels. NHS 24 has played an important role in providing help and advice to the Scottish population in partnership with the NHS in Scotland and SGHD. It has established the Scottish Flu Response Centre (SFRc), and is closely linked with NHS Direct, NHS Wales and Northern Ireland in the development of a UK Fluline service. It was recognised that significant staff resources would be required and arrangements have been put into place to secure an additional pool of call handlers. In addition, technology enhancements are being introduced to the existing telephony systems. NHS 24 is working hard with partners, SGHD and the Government, to ensure continued service provision in the light of the fact that the full extent of the swine flu situation is not yet known.



## Partnership Working

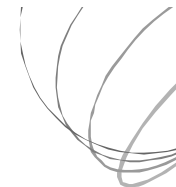
57. Partnership working covers a number of areas, including staff (through the Partnership Forum), patients, the voluntary sector, other territorial Health Boards, the Scottish Ambulance Service (SAS) and NHSScotland national groups. NHS 24 is actively involved in building effective working practices with all these partners through various structures. At the 2008 annual review, the Cabinet Secretary noted the strengthening relationships which are being developed which focus on the needs of the individual patient.
58. The NHS 24 Patient Focus Public Involvement (PFPI) strategy 2006-09 set objectives aimed at establishing the appropriate infrastructure and initiating monitoring and evaluation arrangements. The Public Partnership Forum (PPF) was instituted at the same time to support the development of PFPI and provide a forum for direct feedback from patients and the public.
59. Our audit plan identified a risk that PFPI has not been fully embedded into NHS 24's own work and has not been integrated with PFPI activities in other Boards and stakeholders. NHS 24 are continuing to engage with local Boards and voluntary groups and are improving links to mainstream community groups and "hard to reach" communities. A network of PPFs which include both staff and patient representatives from different Community Health Partnerships (CHPs) across the country is also being established. This remains a challenge for the Board to take forward.
60. We are aware that a new PFPI Strategy for 2009/10 – 2011/12 is being developed with the aim of fully integrating the public's view, staff views and the patient experience in the delivery of existing and new services. A PFPI, Equality, Diversity and Human Rights Workplan for 2009/10 has been drafted in line with this, which identifies the need to expand the membership of the PPF, to assess and monitor PFPI activity and to develop a systematic process of feedback from stakeholders.
61. The development of a local presence at various locations has continued during the year in accordance with the comments made in the 2008 annual review. For example:
- the new Headquarters in Cardonald has co-located NHS 24 West services with NHS Greater Glasgow and Clyde Out-of-Hours service and the West Emergency Medical Despatch Centre (EMDC) of the Scottish Ambulance Service
  - co-location of NHS 24 East services with the East EMDC is being planned
  - the Forth Valley Health Board local centre service is now operational with three other local services being set up in NHS Borders, NHS Fife and NHS Orkney.



62. Further examples of working with partners include:
- the establishment of the NHS 24 Care Commission Partnership Working project to improve communication between care home and NHS 24 staff
  - continued close working with SAS in the delivery of unscheduled care services. Non-urgent calls to SAS are now transferred to NHS 24 and both services are considering the application of a standard clinical triage assessment system
  - NHS 24 is implementing the Care Information Scotland service and is developing the national Health Information and Support service on behalf of the SGHD.
63. We consider that NHS 24 is making a positive contribution towards the national agenda of partnership working although there continues to be a challenge for services to work together in an open manner and that opportunities to enhance service delivery are identified.

## Systems of internal control

64. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and to prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2008/09 internal audit provided their opinion that, based on the internal audit work undertaken during the year, NHS 24 generally has an adequate framework of control over the systems examined.
65. As part of our audit we reviewed the high level controls in a number of NHS 24's systems that impact on the financial statements. We issued two management letters during the year; one covered a number of the key systems, such as payroll, accounts payable and receivable, while the other considered progress made by management against issues identified in previous years. We reported on an exception basis a number of risk areas which were generally consistent with internal audit's findings. We were however able to conclude that there were no material weaknesses in the accounting and internal control systems and that the key controls were operating effectively.
66. In addition we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) to avoid duplication of effort. This work provided us with additional assurances on the adequacy of the internal control environment within NHS 24.



## Statement on internal control

67. Revised Guidance was issued by the SGHD in March 2009. In addition to assurances previously required, the Accountable Officer was to provide assurance that a framework was being developed to deliver best value in 2009/10 and to describe how risks to information governance are being managed and controlled. We are pleased to note that the Statement on Internal Control (SIC) provided by NHS 24's Accountable Officer records management's responsibility for maintaining a sound system of internal control and sets out the approach adopted by NHS 24. It reflects the findings from both external and internal audit work and Executive Directors have provided Certificates of Assurance to the Accountable Officer. Clear statements have been included on the organisation's approach to best value and the management of information risks.

## Internal Audit

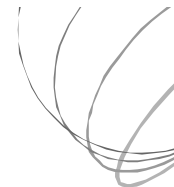
68. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2008/09 audit we assessed whether we could place reliance on NHS 24's internal audit function. We concluded that the internal audit service operates in accordance with the NHS Internal Audit Standards and therefore placed reliance on their work in number of areas during 2008/09, as we anticipated in our annual audit plan.

## Corporate Governance Arrangements

69. Corporate Governance arrangements have been reviewed by Internal Audit during the year and found to be generally satisfactory, with only minor recommendations for improvement being made. The Corporate Governance Manual has been updated during the year to include a revised Board Code of Conduct, but will be subject to review during 2009/10 with the aim of producing a full, updated version for Autumn 2009. Our audit work identified that a number of Financial Operating Procedures remain outstanding. We have been given assurance by officers that these will be developed and included within the manual as appropriate.

70. A new Chief Executive took up post on 1 September 2008. We note that the current postholder has extensive NHS experience and we look forward to working with him in the future.

71. In May 2008, the HQ office completed its move to new accommodation at Cardonald Park. As discussed in paragraph 61, it formed part of a joint venture with NHS Greater Glasgow and Clyde and the Scottish Ambulance Service. In addition the emergency dispatch centre for the West of Scotland, the Glasgow and Clyde GP out- of-hours service and NHS 24 Glasgow and Clyde Centre joined in sharing the accommodation.



## Prevention and detection of fraud and irregularities

72. NHS 24 has in place a number of measures to prevent and detect fraud, including Standing Orders, Standing Financial Instructions, supporting policies and procedures, codes of conduct for staff and Board members, a system of internal control and a system of risk management. NHS 24 has, along with every other Health Board in Scotland, signed a Partnership Agreement with Counter Fraud Services (CFS) and a new Fraud Action Plan, in line with the CFS Agreement, was developed and approved by the Board in April 2009.

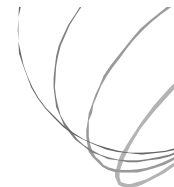
### NFI in Scotland

73. In 2008/09 NHS 24 took part in the National Fraud Initiative (NFI) in Scotland. The SGHD and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits of the participating bodies. NFI brings together data from health bodies, councils, police and fire and rescue boards, and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. Health bodies provided payroll data for the exercise. The NFI has generated significant savings for Scottish public bodies (£40 million to date). Where fraud or overpayments are not identified, assurances may be taken from internal arrangements for preventing and detecting fraud.

74. The NFI 2008/09 data matches were made available to health bodies in February 2009 via a secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the board's involvement in NFI 2008/09 during the course of the audit.

75. We note that NHS 24 is committed to the 2008/09 NFI process. 121 matches were identified and of these, 114 cases were beneath the threshold value set by NHS 24 and were not therefore subject to further investigation. Internal auditors have worked with finance staff in reviewing the data matches and regular updates are provided to the Audit Committee. This is a much improved position from that noted in my 2007/08 report where limited action had been taken in respect of investigating the 2006/07 data matches. However, the Board may wish to consider whether there would be any benefit in reviewing a sample of cases below the selected threshold.

76. Seven cases were identified for further investigation and as at June 2009 investigations are complete for six of these cases and no further action is required. One case is on-going as an internal investigation by another Health Board. In respect of the 2006/07 data, we have been advised that only 6 insignificant cases remained following a review of the data and these have now been closed.



# Performance

77. Audit in the public sector is more wide-ranging than audit in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:

- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
- a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes for citizens.

78. In this section we comment on:

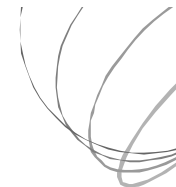
- the Board's corporate plan and risks to its achievement
- performance against targets
- performance management arrangements.

## Vision and strategic direction

79. The NHS 24 three year strategic plan for 2006-2009 "Working for a Healthier Scotland", which is consistent with the SGHD "Better Health, Better Care" document, continued as the driver for corporate planning. This identifies three strategic aims; improving the core out-of-hours service provision, increasing NHS 24's contribution to the national health improvement agenda and developing new added value services that support area Boards. Corporate planning was based on the Local Development Plan and associated Strategic Workforce and Five Year Financial Plans which fed downwards into Committee workplans and detailed Directorate Plans.

80. During 2008/09 NHS 24 developed a Strategic Framework 2009/10 – 2011/12, "Delivering and Moving Forward". It was approved by the Board in April 2009 following consultation with a broad range of interested parties including staff, other Health Boards, the voluntary sector and the public. It recognises that NHS 24 should focus on its core unscheduled care service whilst balancing this with a range of service developments.

81. The creation of this Strategic Framework has in turn led to a review of the whole business planning cycle and the development of a formal integrated process to create an annual Corporate Plan which will outline the activities and targets in support of the key priorities. The challenge for NHS 24 as it moves forward will be to ensure that its aims, objectives and targets remain meaningful and focussed.



## Managing risk

82. The Risk Management Strategy has been updated during 2008/09 to reflect developments in approach and recognises the NHS QIS Clinical Governance and Risk Management Standards. Risk management strategic objectives were defined and specific operational objectives for 2008/09 were set. While the 2008/09 operational objectives were substantially achieved, further work is required on establishing functional linkages, business continuity, establishing an annual review of effectiveness and embedding risk management within the culture of NHS 24. There is a Head of Risk in post to progress work on regular risk assessments, reporting and training.

### Risk Area 4

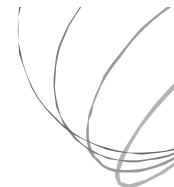
83. Risk Registers are maintained at each Directorate and regional centre and from these registers, risks can be escalated into the Corporate Risk Register depending on the level of assessed risk. As at March 2009 there was one “extreme” organisational risk and a further six “major” risks. The “extreme” risk concerns the ability of NHS 24 to respond to a major “Rising Tide” threat such as pandemic flu where staff are incapacitated at a time when call volumes increase. As this risk is continuing, action is being taken to mitigate the risk; for example, liaison with partners is on-going to develop additional contact centre and staffing capacity.

## Service Development

84. Significant developments are continuing in the way NHS 24 both delivers its main services and seeks to support the national health agenda by adapting and broadening its capabilities and involvement in specific Health Board initiatives. As discussed previously, NHS 24 has now established local services with most Health Boards as a further means of improving resilience and delivering locally sensitive healthcare. Further development of the website, particularly to deliver information on health, health services and national health campaigns, has been ongoing. As noted earlier, NHS 24 is closely involved in planning Scotland’s response to pandemic flu with SGHD, Health Boards and NHS Direct.

85. During the year NHS 24 expanded its role in the provision of the Scottish Emergency Dental Service (SEDS) and became the first point of contact for patients with dental issues in the out-of-hours period. The aim is to wholly integrate SEDS into NHS 24 and transfer full accountability during 2009/10. Other initiatives include the delivery of a pilot Cognitive Behavioural Therapy service with five partner Health Boards and support for the NHS Lothian Keepwell Programme (part of a national Keepwell initiative).

86. As part of the Clinical Patient Journey and Quality of Outcomes programme, NHS 24 is progressing with a redesigned service delivery model which builds on a multi-disciplinary team approach, including the managed use of General Practitioners. The development of the call handler role is continuing through the Advise and Refer, Rapid Triage and Advise and Discharge initiatives. The 2009/10 Local Delivery Plan (LDP) states that it will be supported by the continuing development of the multi disciplinary team with a skill mix to include Mental Health Nurse Practitioners, Allied Health Practitioners (initially physiotherapists) and rotational posts for nurses and undergraduate student nurse placements. The challenge continues to be able to access appropriate staff skill sets.



## Performance Overview

87. The LDP is a strategic document for NHS 24 as it sets out the agreement reached with the Scottish Government on delivering the HEAT (Health improvement, Efficiency, Access and Treatment) targets. It outlines NHS 24's planned performance for the year against a core set of key HEAT targets plus additional internal targets. We are pleased to record that NHS 24 has in place sound processes and systems for monitoring performance against these targets, with specific Executive Directors being designated as responsible for specific targets and component performance measures. Progress against the LDP is reported to the Executive Team and at each Board meeting together with an analysis of the reasons for any targets being missed, the potential outturn position and possible mitigating actions.
88. The 2008/09 outturn against the targets shows that all HEAT targets have been achieved and that all additional internal targets except one have been met. This represents a significant improvement since 2007/08.
89. The 2009/10 LDP supports the Scottish Government's outcome based approach by aligning the HEAT targets with those of the Government's Purpose and National Outcomes. This represents a level of commitment to the national agenda which we are pleased to record.

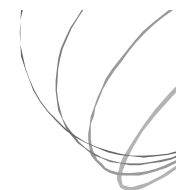
## Performance Management

90. NHS 24 has an established performance management framework to ensure that information is available across the organisation on a consistent basis. Each meeting of the Board is presented with standard performance reports covering service performance, HEAT targets, staffing resource and capacity planning and financial performance. Specific reports are also presented on performance over high-demand periods (holiday periods, the winter plan).
91. NHS 24 have engaged external consultants to conduct benchmarking work on the KPIs. The first review covered IT technology costs in the contact centres and the report has been taken to the Best Value Group for further consideration. In addition to this continuing work, NHS 24 are involved in a benchmarking exercise with NHS Direct.

## Efficiency

92. The 2% cash releasing efficiency savings target for this year was incorporated into Directorate budgets prior to the start of the financial year. In addition Directorates were required to identify savings plans to address cost pressures arising throughout the year. The overall 2% efficiency savings target for 2008/09 was over achieved through the identification of recurring and non-recurring savings.





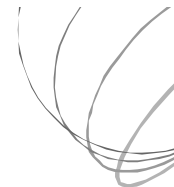
93. There is a continued requirement to deliver annual recurring cash releasing efficiency savings of 2% in future years. The Three Year Financial Plan 2009/10 – 2011/12 notes that clear, detailed plans are not in place yet for efficiency savings for 2010/11 onwards but this has been noted as a risk area in the Plan. The NHS 24 Best Value Group is undertaking a review of potential savings areas for 2010/11.

#### **Risk Area 5**

94. Internal Audit have reviewed controls over the completeness, accuracy and appropriateness of the 2008/09 savings plans and did not identify major control weaknesses. They noted the significant effort that NHS 24 has made over the last two years in achieving the 2% efficiency savings target.

#### **Best Value**

95. In 2005/06 a baseline review of best value arrangements across the health service including NHS 24 was undertaken. The baseline review was built around the then Scottish Executive's nine best value principles and also considered whether there were overall arrangements in place.
96. During 2008, we reviewed the baseline information to ascertain what arrangements NHS 24 had put in place to take forward the best value agenda and demonstrate continuous improvement. We presented our final report to the Audit Committee in March 2009. The position reported in 2009 is that six areas have been assessed as 'well developed' and 3 as 'under-development' with the corresponding assessment for 2005/06 being two and seven respectively. We noted that overall arrangements for best value are still under development.
97. We also recognised that the aim to meet Government targets and NHS QIS standards promotes a culture of continuous improvement within the organisation. This is a good position to build on and demonstrates the board's commitment to best value and continuous improvement. In addition, we noted that it will be necessary to develop monitoring and review procedures to ensure that the policies and practices are having the intended impact on its clients and stakeholders and will allow the organisation to demonstrate that resources are being used effectively in the delivery of planned outcomes.



# Looking Forward

98. NHS 24 faces a number of challenges in 2009/10, which include:

- **Equal pay** – The Equal Pay Directive has made it clear that pay discrimination should be eliminated from all aspects of remuneration. NHS 24 has received some 15 claims on this matter. Significant ongoing uncertainties have been identified by the CLO resulting in an unquantified contingent liability disclosure in 2008/09. NHS 24 management, working with the Scottish Government Health Directorates and other NHS Boards, will have to form a view of the potential liabilities as soon as practicable, taking into account the progress of cases in Scotland and in England.
- **Service redesign** – Significant developments are continuing in the way NHS 24 both delivers its main services and seeks to support the national health agenda by adapting and broadening its capabilities. Following on from their current structure of regional centres and pilot local centres, NHS 24 is looking to complete the establishment of local services with all mainland Boards as a further means of improving resilience and using local knowledge. Within NHS 24 itself a redesigned service delivery model is being progressed which builds on a multi-disciplinary team approach, including the managed use of General Practitioners. The challenge for NHS 24 is to maintain this momentum in times of financial stringency and to access appropriate staff skill sets.
- **Financial management and affordability** – The financial settlement in 2009/10 provides an uplift of 3.15% which may reduce in 2010/11 given the current economic situation and the impact of the UK Government budget in April 2009. This will have a significant impact on long term financial planning and the control of pay and non pay costs.
- **International Financial Reporting Standards (IFRS)** – Officers are required to prepare shadow accounts under IFRS for 2008/09 by September 2009. The move to full compliance in 2009/10 will require significant resource and it will be important that these issues are addressed early in 2009/10.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how NHS 24 is addressing this developing area as part of the 2009/10 audit.



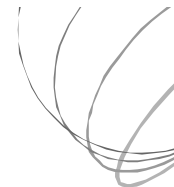
- **Efficiency, future funding and the wider economy** – Budgets for 2009/10 and beyond will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility until the next Spending Review and the impact of the introduction of International Financial Reporting. The challenge for NHS 24 is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. This will be even more challenging in the context of a potential increase in demand for its services.
  - **Best Value** - The concept of Best Value is seen as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year, particularly in the area of Use of Resources reviews. NHS 24 will wish to respond to this important initiative as it develops.
  - **Swine Flu** – NHS 24 is playing an important role in providing services to the Scottish population as a result of the swine flu outbreak. NHS 24 will be challenged throughout 2009/10 and will need to be able to respond quickly and effectively to any demands made on its service either due to escalation of the current virus or due to its possible recurrence.
  - **ICT infrastructure** –Major parts of NHS 24's ICT infrastructure is supported by external commercial partners. The two main contracts will come to an end by mid-2012 (the BT contract and Patient Relationship Management solution provided and supported by Clinical Solutions). The Board now needs to focus their attention and consider how the major parts of the infrastructure provided, supported and maintained by these two organisations will be sourced when these contracts end.
99. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.



# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	NHS 24, as with other Boards, has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities will have a significant impact on the Board's financial position.	The advice of the CLO and the Equal Pay Unit is that there is still a lack of information to make an estimate of the liability. The number of claims for NHS 24 continues to be very low, 15, and there is unlikely to be a significant financial impact in any case. This will continue to be closely monitored.	Jane McCartney	Ongoing
2	NHS 24 face a challenging year to achieve financial stability as they balance financial cost pressures with limited increases in funding. The achievement of efficiency savings is a critical aspect of continuing to remain within financial balance.	NHS 24 have identified and agreed efficiency savings for 2009/10 in order to achieve financial balance. These savings have been removed from departmental budgets. Achievement of these savings will be monitored through the management accounts process on a monthly basis.	Robert Stewart	Ongoing during 2009/10
3	The achievement of Local Delivery Plan targets for reducing sickness absence and improving the recruitment and retention of nursing staff continued to be a challenge in 2008/09. These continue to be risks to NHS 24.	Achievement of the target will be monitored through the Strategic Workforce Plan and the LDP. Whilst the current levels of sickness absence and recruitment and retention are satisfactory, with the attrition level much lower than target, this area will continue to be monitored throughout 2009/10.	Jane McCartney	Ongoing
4	There is a risk that the culture of risk management is not embedded throughout the organisation.	Risk Management in the organisation will continue to be embedded and developed through: <ul style="list-style-type: none"> <li>The risk management specific communications plan developed in 2008/9 will be implemented. The purpose of this plan will be to support the understanding of the wider organisation as to the importance of risk management to NHS 24.</li> <li>Separate Risk Management internet and intranet sites will be developed and implemented and will act as an information and communication resource to the organisation's stakeholders and staff for risk management.</li> </ul>	Robert Stewart	Dec 09  Mar 10
5	Detailed plans for efficiency savings for 2010/11 onwards require to be formalised. There is a risk that service delivery will be affected if these savings are not achieved.	NHS 24's Best Value group is charged with identifying savings schemes throughout the organisation. The Executive Team then reviews and approves these schemes for removal of funding and monitoring. This will ensure that plans are in place for 2010/11.	Robert Stewart	Dec 09



# Appendix B: National Studies

The national study programme is carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. All national reports are submitted to the Audit Committee for information. While none of the reports issued during 2008/09 have directly involved NHS 24, many are of relevance to the organisation. We mention the key findings from all relevant reports below. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## **Asset management in the NHS**

This study examined how the NHS is strategically managing its assets to support effective service delivery. The study's objectives included assessing the extent to which the Scottish Government provides strategic direction to NHS bodies on asset management in general and the assurance that the NHS estate is being used in the most economic and effective way. It also evaluated how well NHS bodies strategically manage all of their assets to ensure effective service delivery.

The report recommended that NHS bodies should:

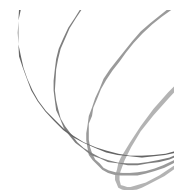
- develop strategies for each type of asset and then develop a corporate asset management strategy and plan, which links with their clinical strategies
- ensure they assess estate condition, statutory compliance, functional stability and space utilisation on a regular basis
- ensure all information on assets is held electronically
- review their performance management arrangements and, where required, develop performance measures and targets for assets.

## **Review of the new General Medical Services contract**

This report considered how the new General Medical Services (GMS) contract, which is UK wide, was implemented in Scotland. The review focused upon the approach taken by the Scottish Government and NHS Boards to plan and implement the contract, the cost and effect of the contract on patients and GPs and the wider NHS arrangements for monitoring and managing the contract.

The report recommended that the Scottish Government and NHS boards should:

- monitor the investment by NHS boards in enhanced services to make sure that they achieve value for money as well as meeting local needs
- collect comprehensive data on local GP and GP practice staff numbers to support workforce planning at a national and local level.



## **A review of palliative care services**

The study examined a number of issues including access to, and quality of, palliative care services for adults with long term conditions. The report recommended that NHS boards should:

- have an up-to-date strategy for delivering palliative care based on an assessment of the current and future needs of their local populations
- work with the voluntary sector to develop and agree protocols for primary care staff and non-specialist hospital staff to refer patients to specialist palliative care services
- apply service improvements such as the Gold Standards Framework Scotland, Liverpool Care Pathway and Do Not Attempt Resuscitation policies in all care settings and ensure these are used appropriately.

## **Overview of mental health services in Scotland**

This report provides an overview of mental health services and its main aim was to highlight areas for improvement and identify priorities for future audit work. The study covered mental health services provided by the NHS, councils, prisons, the police and the voluntary sector and examined the accessibility, availability and cost of services. The report recommended that the Scottish Government and local partners should, amongst other things:

- ensure that they work together to deliver services for people with mental health problems which are joined up and that appropriate services are provided on the basis of need
- collect information about services in the community to enable better planning and development of services
- work together to identify and address any gaps in services, including services for children and adolescents and the availability of psychological therapies
- ensure that data on waiting times for mental health services are collected and reported routinely. Action should be taken to address services with long waiting times.