

NHS Education for Scotland

**Annual report to the Board of NHS
Education for Scotland and the Auditor
General for Scotland**

2004 / 2005



SCOTT-MONCRIEFF

CHARTERED ACCOUNTANTS

EDINBURGH AND GLASGOW

Contents

1	Summary	1
2	Introduction	3
3	Performance	5
4	Governance	7
5	Finance	11
6	Action Plan	15

1 Summary

Performance

- The Board of NHS Education for Scotland (NES) has recently approved a Performance Management Framework. This represents a significant development in the Board's systems for quality assurance and improvement.
- The announcement that the headquarters of NES is to relocate to Glasgow presents a significant challenge in terms of staff retention and service sustainability. Effective management of the risks associated with the relocation will be essential over the next two years.

Governance

- NES has made four new appointments during the year to complete the executive membership of the Board. A new Chief Executive, Deputy Chief Executive, Director of Medicine and Director of Finance and Performance Management have all been appointed.
- The Board membership does not include a non-executive member with recent and relevant financial experience, as recommended by the Smith Report and SEHD Audit Committee Handbook.
- NES has continued to make progress in developing its risk management arrangements. Risk registers at corporate and departmental level were revised during the year and project specific risk registers instigated.
- Overall, corporate governance arrangements are considered satisfactory.

Finance

- Our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified.
- NES achieved all three of its financial targets for 2004/05 and is forecasting to continue to meet its financial targets for at least the next 5 year period.
- We are satisfied that adequate arrangements are in place for managing the Board's financial position and maintaining its financial health.
- Key financial risks include the implementation of Agenda for Change, the full impact of which will not be known until after December 2005.

Conclusion

This report concludes the 2004/05 audit of NHS Education for Scotland. We have performed our audit in accordance with the Code of Audit Practice and Statement of Responsibilities published by Audit Scotland. Subject to the weaknesses identified in this report, we are satisfied that NES has properly discharged its duties in accordance with the Statement of Responsibilities.

This report has been discussed and agreed with the Director of Finance and Performance Management and has been prepared for the sole use of the NES Board, the Auditor General for Scotland and Audit Scotland.

We would like to thank all members of NHS Education for Scotland's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

Scott-Moncrieff

19 July 2005

2 Introduction

2.1 Audit framework

The Auditor General for Scotland is the Scottish Parliament's watchdog for ensuring propriety and value for money in the use of public funds. The Auditor General is therefore responsible for appointing NHS auditors and setting the terms of their appointment.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions. Audit Scotland has prepared a Code of Audit Practice, which sets out the way in which auditors should carry out their functions, and a Statement of Responsibilities which explains where the responsibilities of the auditor begin and end.

The Auditor General has appointed Scott-Moncrieff as auditors of NHS Education for Scotland (NES) for the 4 year period 2002/03 to 2005/06.

2.2 Key Priorities and Risks

Our audits are risk based. This means that we focus our resources on the areas of highest priority or risk to the Board. To help us identify these areas, Audit Scotland have developed a National Planning Tool setting out the following key priorities and risks for NHS Scotland as a whole.

- Governance – clinical, staff and financial
- Service sustainability
- Financial management
- Performance management
- Pay modernisation
- Workforce management
- Joint working
- Information management

In order to define the scope of our work, we agreed with the Chief Executive the extent to which each of the above areas were key priorities and risks for NES.

2.3 Scope of the Audit

Our work can be classified under the following three headings: performance audit, governance audit and financial audit. The main audit objective for each of these areas is summarised below, along with the key priorities and risks for each area.

Table 2.3-1 - Audit areas v priorities and risks

Audit area	Audit objective	Key priorities and risks
Performance Audit	To review the Board's arrangements for managing its performance and for securing economy, efficiency and effectiveness in its use of resources.	Service sustainability Performance management Workforce management Joint working Information management
Governance Audit	To review the Board's governance arrangements in relation to: <ul style="list-style-type: none"> • systems of internal control, • the prevention and detection of fraud and irregularity, • standards of conduct and prevention and detection of corruption, • its financial position. 	Corporate governance Clinical governance Financial governance Staff governance
Financial Audit	To provide an opinion on the truth and fairness of the Board's financial statements and on the regularity of transactions.	Financial management Pay modernisation

2.4 Audit Reporting

We have prepared the following detailed audit reports during 2004/05:

- Staff governance report,
- Final report on financial statements and accounting systems.

This annual report summarises all of our work during the year and highlights the key issues we have identified under the headings of performance, governance and finance. The action plan in section 6 details all of the high priority recommendations we have made during the year, along with management's responses.

3 Performance

3.1 Performance Management

3.1.1 Performance Management Framework

The Board of NES has recently approved a Performance Management Framework covering all aspects of NES activities. Objectives of the Performance Management Framework include:

- To provide the Senior Management Team and Board of NES with an overview of the performance of the organisation against agreed objectives
- To prepare for the annual accountability review by demonstrating progress towards strategic aims and objectives
- To assist NES with managing the risks that would materialise if the organisation does not achieve required outcomes.

The Framework incorporates quantitative measures across the four themes of outputs, cost, quality and PFPI, and will be used as part of the Board's annual review process. Wherever possible the Performance Management Framework will make use of Key Performance Indicators (KPIs) as an objective measure of performance. NES is currently developing these KPIs.

However, KPIs will not be used in isolation. Of equal importance within the framework will be communication with all relevant parties, aimed at identifying the context within which KPIs sit and obtaining a deeper understanding of the environment and the constraints within which NES operates.

3.1.2 Performance Targets

Part of the Performance Management Framework will involve monitoring progress against a number of specific performance targets, which NES has developed for its 2005/06 Corporate Plan. Targets have been identified against each of NES's strategic themes, and sub-themes. The targets reflect the national clinical priorities and focus on:

- Building capacity within NES to support NHS Scotland in:
 - Service re-design
 - The training of key professionals
 - Improved patient care and safety
 - Recruitment and retention.
- Developing NES's educational infrastructure to support educational governance and quality assurance.

Monitoring performance against these targets will be done on a quarterly basis using a scoring system to indicate the level of achievement and completion of each project against the project timetable and ultimate goal of the project.

3.2 Service Sustainability

The relocation of staff, as required by Scottish Ministers, represents a key risk to the sustainability of services provided by NES. Staff surveys have indicated that a large proportion of staff would leave the organisation if they were required to relocate.

The announcement that NES is to relocate its Headquarters to Glasgow therefore presents clear challenges in relation to staff recruitment and retention. A significant risk exists that the existing knowledge and expertise built up by the current staff may be lost.

The Board therefore requires to ensure that robust risk management arrangements and action plans are in place to manage the relocation process. The development of a Relocation Strategy would assist with this.

3.3 Joint Working

NES has been working jointly with the Social Work Inspectorate in relation to the new Mental Health Act and also Child Protection issues.

3.4 Workforce Management

A baseline staffing establishment has recently been undertaken by NES in line with SEHD requirements. The staff governance tool, which was approved by the Board in March 2005, is also setting the agenda for future work in this area.

To cascade information to staff throughout the organisation, NES has developed both internal and external newsletters for staff and other stakeholders. A number of key policies have been created to ensure a healthy and safe working environment and complimentary staff training has been undertaken.

3.5 Information Management

A 2003-08 Information Strategy has been approved by the Board. NES has a designated Head of IM&T however there is no individual officer responsible for IT security. Consideration was being given to this at the time of our review.

Currently, NES staff are not required to sign-up to the IT security policy and this increases the risk of the system being vulnerable to attack. It was also noted that IM&T asset registers are not well maintained for moveable assets. A risk workshop was to be held in April where this was to be reviewed.

To ensure compliance with the Freedom of Information (FOI) Act, FOI champions at the various regional offices have attended specific training sessions. FOI leaflets for staff have also been produced.

3.6 Conclusion

In our opinion, the Board is establishing adequate arrangements for managing its performance and for securing economy, efficiency and effectiveness in its use of resources. In particular, the establishment of the Performance Management Framework represents a significant development in the Board's systems for quality improvement and assurance.

A key challenge to NES over the next two years will be managing the risks associated with the relocation to Glasgow to minimise the impact on service provision and ensure that the Boards Corporate Plan is delivered.

4 Governance

4.1 Governance Framework

During the year there has been a staff re-organisation throughout the regions and central offices. One of the most significant changes has been the appointment of the following four new executive directors during 2004/05:

- Mr Malcolm Wright was appointed as Chief Executive on 1 April 2004
- Dr Jim Rennie was appointed as Deputy Chief Executive on 1 January 2005
- Ms Caroline Lamb was appointed as Director of Finance and Performance Management on 1 November 2004
- Dr Mike Watson was appointed as Director of Medicine on 1 February 2005

The new executive directorate has significantly strengthened the NES Board and provided a better balance of executive and non-executive directors.

4.1.1 Non-executive director with financial experience

The Audit Committee Handbook, prepared by the SEHD, recommends that at least one non-executive member should have significant, recent and relevant financial experience. NES' audit committee does not include such a member and there is a risk that the Audit Committee's ability to hold senior management to account on financial issues may be impaired.

While we appreciate that the recruitment of non-executive directors is not under the Board's control, we recommend that the Board pursue the SEHD to ensure that a non-executive director with recent and relevant financial experience is recruited.

4.2 Staff Governance

The NHS Reform (Scotland) Act 2004 makes it a statutory requirement for NHS employers to have in place arrangements for good governance of staff. Failure to comply with this duty can attract the powers of intervention contained in the NHS (Scotland) Act 1978. The aim of the Staff Governance Standard is to improve the way staff are treated in NHSScotland, to be clear on what staff should expect wherever they are in NHSScotland, and to improve accountability for making this happen.

A review of Staff Governance was undertaken as part of our performance audit work in 2004/05. From our review we found that NES has undertaken a considerable amount of work to deliver the actions identified from the 2003/04 Staff Governance action plan. The key actions delivered include a review of partnership structures within NES. This was conducted to clarify partnership working structures, redefine the core constitution of local consultative groups, implement a development programme for these groups and emphasise communication arrangements for partnership working across the organisation.

We also found that NES have introduced a number of key policies to create a healthy and safe working environment. NES has achieved the SHAW Bronze award, which gives formal recognition of the safe working environment that has been established. The decision to progress this accreditation and attempt to achieve the SHAW Silver award has been taken and the organisation will be developing further policies for safe and healthy working.

Our review also examined a series of qualitative indicators along with statistical information, which was required to be submitted to SEHD. No issues were identified during this process and overall the information was found to comply with the Staff Governance Standard.

4.3 Corporate Governance

The audited body has a responsibility to:

- Develop and implement systems of internal control and at least annually to conduct a review of the effectiveness of the internal control systems.
- Establish arrangements to prevent and detect fraud and irregularity.
- Ensure its affairs are managed in accordance with proper standards of conduct.
- Conduct its affairs and to put in place proper arrangements to ensure that its financial position is soundly based.

As auditors we are required to review and report on the NES corporate governance arrangements.

4.3.1 Statement of Internal Controls

The framework of internal controls in operation at NES is reported within the Statement of Internal Control (SIC) included in the accounts. NES has identified a number of areas as requiring further development. These areas have been disclosed within the SIC and it is anticipated that they will be addressed in 2005/06. The areas include:

- Analysing performance against the QIS standards on clinical governance and risk management
- Reviewing and implementing changes to the organisation's systems of performance management.

4.3.2 Internal Audit

We have placed reliance wherever possible on the work of internal audit. This followed a review of the internal audit service provided by Deloitte LLP. The review was performed in accordance with the Code of Audit Practice and Statement of Auditing Standard 500 and concluded that the internal audit service provided to NES was in compliance with the NHS Scotland Internal Audit Standards.

To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work in the following areas:

- Corporate Governance
- Core Financial Review
- Regional Reviews
- IT High Level Review.

We noted that the majority of internal audit work was carried out in the final two months of the financial year. We would recommend that in future years the work of internal audit is monitored to ensure that it is received on a consistent basis throughout the financial year.

4.3.3 Risk Management

The Turnbull report *Internal Control: Guidance for Directors on the Combined Code* states that a sound system of internal control depends on a thorough and regular evaluation of the risks faced by the body.

During 2004/05 NES has made significant progress in developing its risk management arrangements. A risk management strategy is in place, which delegates risk management throughout the management structure and encourages all members of staff to manage risk in their own area of work. During the year corporate and local risk registers have been revised and project specific risk registers have been introduced. The establishment of risk

champions continues at departmental level. All of this work has been supported by the appointment of an Assistant Director of Finance (Projects), who is responsible for co-ordinating risk management activities across the organisation.

4.3.4 Fraud, irregularity and corruption

To ensure the integrity of public funds, it is NES' responsibility to establish arrangements to prevent and detect fraud and other irregularity, including:

- developing, promoting and monitoring compliance with standing orders and financial instructions,
- implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating allegations of breaches of proper standards.

We plan our work so as to provide a reasonable expectation of detecting misstatements in the annual accounts resulting from fraud or irregularity. In particular, we focus on specific areas of high risk for potential fraud and irregularity and review the control arrangements in place in these areas.

We are pleased to report that no major issues of concern have arisen with regard to the arrangements in place for the prevention and detection of fraud and irregularity.

4.3.5 Standards of conduct, integrity and openness

Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. Guidance on standards of conduct, accountability and openness has been issued by the SEHD.

Our work in this area included a review of the arrangements for adopting and reviewing standing orders, financial instructions and schemes of delegation and complying with national and local Codes of Conduct. We also considered controls over tendering and awarding contracts, registers of interest and disposal of assets.

We are pleased to report that our audit identified no significant issues of concern in relation to standards of conduct, integrity and openness.

4.4 Clinical governance

The Board considers that the principles of clinical governance cannot be readily applied to NES as the organisation has no contact with, or responsibility for, patients. NHS Quality Improvement Scotland (NHS QIS) produced a report in June 2005 on Clinical Governance and Risk Management Arrangements at NES, which commented on the issue of clinical governance and how this needs to be translated into educational governance and quality assurance. The Board has prepared a detailed response to the comments in the NHS QIS report and will be taking forward the issues raised during 2005/06.

The Board considers that the concept of educational governance is relevant to NES and is currently working on a framework document for educational governance and quality assurance pulling together all of the processes currently in place throughout the organisation and reviewing them for adequacy. In addition, the remit and status of the Educational Quality Assurance Committee is being revised.

4.5 Conclusions

4.5.1 Corporate governance

Our overall conclusion is that the Board's corporate governance arrangements are satisfactory. This is consistent with the internal audit report on corporate governance which concluded that NES has an adequate corporate governance framework and the requirements of the SEHD are being met.

However, a non-executive director with recent and relevant financial experience requires to be recruited to the Board.

We are satisfied that the work of internal audit complied with the NHS Scotland Internal Audit Standards.

We are satisfied that NES is continuing to develop adequate arrangements for effective risk management.

No issues of concern have been identified in relation to fraud, irregularity and corruption or standards of conduct, integrity and openness.

4.5.2 Staff governance

During 2004/05 NES has undertaken a considerable amount of work to deliver the actions required to ensure full compliance with the Staff Governance Standard.

4.5.3 Clinical governance

The Board needs to be clear on how the concept of clinical governance translates into educational governance and quality assurance principles that are relevant to NES. This is being taken forward in the Board's response to the NHS QIS report on Clinical Governance and Risk Management Arrangements.

5 Finance

5.1 Introduction

It is the responsibility of NES to conduct its financial affairs in a proper manner. As part of our audit, we are required to consider NES' financial standing, including:

- performance against financial targets,
- financial projections, including cost pressures in future years,
- internal financial control systems,
- financial planning, budgetary control and financial reporting systems.

It is important that such arrangements are adequate in order to properly control the organisation's operations and use of resources

5.2 Financial targets

All Health Boards are set the following financial targets by the SEHD:

- To remain within the Revenue Resource Limit (RRL), i.e. expenditure should not exceed the RRL
- To remain within the Capital Resource Limit (CRL); and
- To remain within a cash limit

We are pleased to report that NES has met all three financial targets in 2004/05, as detailed below.

Table 5.2-1 Performance against financial targets 2004/05

Financial Target	Target £000	Actual £000	Underspend £000	Target achieved
Revenue Resource Limit	£282,613	£274,881	£7,732	✓
Capital Resource Limit	£66	£66	-	✓
Cash Requirement	£270,237	£270,237	-	✓

5.3 Revenue Resource Limit underspend

NES achieved an overall saving of £7,727,000 against its RRL at 31 March 2005. This can be broken down as follows:

Table 5.3-1 Analysis of RRL underspend

Element of underspend	£000	£000
In-year underspend relating to planned activities	£3,522	
Additional ring-fenced revenue allocations received late in the year	£1,625	
Total in-year underspend		5,147
2003/04 underspend brought forward		£2,585

Saving against RRL at 31 March 2005**£7,732****5.4 In year underspend relating to planned activities**

As noted above, the in-year underspend of £5,147,000 can be broken down into an underspend relating to planned activities and an underspend due to additional allocations received late in the year for which NES had no plans.

The underspend due to planned activities has resulted from a slippage in the recruitment of Specialist Registrars throughout the regions. Overall there has been an under spend of £1.8m on training grade vacancies spread across all regions. A further under spend of £1m has been reported against the dental training budget. In addition, there was a saving due to slippage of £500,000 on the audiology contract, and a saving in the region of £500,000 against the budget for Agenda for Change.

Early in 2005 NES identified that an underspend was likely in 2004/05 and agreed with SEHD the carry forward of elements of project-specific funding where the timing of the projects meant that spend was required in 2005/6. In addition to this, NES was able to agree the carry forward of funds generated from savings within the medical budgets. Permission has therefore been obtained to carry forward the full cumulative underspend of £7,732,000 into 2005/06.

5.5 Additional ring-fenced allocations

Part of the saving against RRL noted above relates to additional ring-fenced funding allocations received late in the financial year. These allocations were in respect of the following items:

Table 5.5-1 Late allocations received

Purpose of allocation	Date Allocation Received	Allocation Type	Amount
Nursing IT development programme	16/3/05	Non recurrent	£175,000
Nursing support for qualified nurses	16/3/05	Non recurrent	£100,000
Leadership programme	16/3/05	Non recurrent	£100,000
Operating department practitioners	16/3/05	Non recurrent	£500,000
SVQs in Pharmacy	16/3/05	Non recurrent	£750,000
Total			£1,625,000

The Board had made no plans for this funding and agreement was reached with the SEHD to carry all of this funding forward to 2005/06.

5.6 Financial Plans

NES has prepared a five year plan and this is updated on a regular basis to take account of new funding initiatives announced by SEHD and new projects undertaken by NES project teams. Significant increases in income and expenditure occurred in 2004/05 and will continue in future years due to the increased costs of Medical ACT.

As noted in the table below, NES expects to achieve a surplus in 2005/06 of £3.16m, which is within the 1% carry forward limit specified by the SEHD.

Table 5.6-1 Projected financial position 2005/06

	2005/06 £m	2005/06 £m
Recurring income	309.93	
Recurring expenditure	<u>(311.65)</u>	
Underlying recurring surplus / (deficit)		(1.72)
Non-recurring income	5.79	
Non-recurring expenditure	<u>(8.64)</u>	
Balance of non-recurring		<u>(2.85)</u>
Funding Gap		(4.57)
Surplus brought forward		7.73
Projected surplus/ (deficit)		3.16

5.7 Cost pressures – pay modernisation

The impact of implementing the pay modernisation agenda represents the most significant cost pressure facing the Board in the next few years. A Pay Modernisation Board was set up to oversee the implementation of the three new pay contracts. Since October 2004, the Board has been focussing on Agenda for Change as this is the area where most work needs to be done prior to full implementation.

The 2004/05 financial statements reflect the following additional costs of implementing the pay modernisation agenda.

Table 5.7-1 Pay modernisation costs 2004/05

Pay Modernisation Costs	Budgeted	Actual	Variance
Consultants contract	£500,000	£515,000	(£15,000)
Agenda for Change	£500,000	£82,562	£417,438
TOTAL	£1,000,000	£597,562	£402,438

5.7.1 Consultants contract

NES has not yet reached agreement over all payments to be made under the new consultants contract. All consultants who work solely for NES have had job plans assessed under the new scheme and are now being paid under the new conditions. This has been achieved at a cost of £125,000 during 2004/05.

However, there are a number of consultants that work partly for other NHS Bodies and partly for NES whose job plans have yet to be agreed. Negotiations have taken place during the year as to how the payments should be made. NES was previously basing accruals for costs on consultants seniority points with an estimate of discretionary points as this was all the information that was available to them. Other NHS Boards however, were taking into account actual discretionary points and seniority points as well as responsibility allowances.

As a result of this the accrual made during 2003/04 was deemed to be insufficient and the accrual for consultants contract has increased by £302,000 during the year. NES are now in a final negotiation process with other health boards to review how consultants are being paid for the work that is carried out for NES. This work should be completed during 2005/06, but is dependent on work carried out by other bodies.

5.7.2 Agenda for Change

There is also uncertainty over the actual cost of Agenda for Change for which an accrual of £83,000 has been made in 2004/05 accounts. As a Special Health Board, few posts within NES match the national profiles identified in Agenda for Change. As at 30 June 2005 NES had put forward 96.4% of posts for matching but only 7.2% of total jobs had matched to national profiles. This means that job evaluations are required for all other posts. It is expected that the job evaluation programme will be completed in December 2005 and staff will begin to be assimilated onto the new agreements after this date. Until this time, it is difficult to estimate the full cost of Agenda for Change.

5.8 Financial planning, budgetary control and financial reporting systems

We have reviewed the arrangements in place at NES for financial planning and have found them to be satisfactory. Internal audit's Financial Controls Review concluded that the controls in place for financial reporting and budgetary control accord with good practice and are operating satisfactorily.

5.9 Internal financial control systems

Our audit identified no significant weaknesses in the Board's internal financial control systems. In general the systems are well designed and operating effectively. This is consistent with internal audit's Financial Controls Review, which concluded that the key financial processes were generally satisfactory with no fundamental weaknesses identified.

We are pleased to note that all issues raised in previous external audit reports have been addressed satisfactorily.

5.10 Annual accounts and audit timetable

The timetable for production of the NHS in Scotland Summarised Accounts is extremely tight. The deadline for the submission of audited NHS Board's accounts to the SEHD is 31 July. We are pleased to report that the accounts were approved by the Board of NES on 19 July 2005 and will be submitted to the SEHD and the Auditor General for Scotland prior to 31 July 2005.

We are grateful to the Director of Finance and Performance Management and her staff for submitting draft accounts and supporting papers of a high standard by the dates agreed.

5.11 Conclusions

Our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified.

NES has achieved all three of its financial targets for 2004/05 and we are satisfied that adequate arrangements are in place for managing the Board's financial position and maintaining its financial health.

6 Action Plan

6.1 Key issues arising from 2004/05 audit

Title	Issue Identified	Risk and Recommendation	Management Comments
Re-location Report ref: 3.2	<p>NES will relocate to Glasgow from 2007 as required by the Scottish Executive.</p> <p>No additional resources have yet been identified by the SEHD to facilitate this move.</p> <p>The relocation presents a number of key risks to the organisation, including:</p> <ul style="list-style-type: none"> • Staff retention • Service continuity • Operational planning • Additional cost pressures 	<p>There is a risk that the relocation will impact on the ability of NES to meet its priorities and deliver services during the period of change.</p> <p>NES should ensure that robust risk management arrangements and action plans are in place to manage the relocation process.</p> <p>The development of a Relocation Strategy and action plan would assist with this.</p> <p>Priority 1</p>	<p>NES has already appointed a firm of consultants to assist with drawing up and implementing a project plan to manage this move and the resulting consequences. The project plan will include robust risk management</p> <p>Responsible Officer: Chief Executive</p> <p>Implementation Date:</p> <p>We anticipate having an action plan agreed by October 2005</p>
Non-executive with financial expertise Report ref: 4.1.1	<p>The Board currently has no non-executive members with recent and relevant financial experience, as recommended by the Smith Report and the Audit Committee Handbook.</p>	<p>We recommend that the Board pursue the SEHD to appoint a non-executive with recent and relevant financial experience.</p> <p>Priority 1</p>	<p>Responsible Officer: Chief Executive</p> <p>Implementation Date: To be raised with the sponsor department asap</p>
Reviewing the work of internal audit Report ref: 4.3.2	<p>The majority of work performed by internal audit in 2004/05 was performed either at the start or the end of the financial year.</p>	<p>Work performed by internal audit should be used by the Board to inform their knowledge of the controls in place throughout the year. If this work is not produced on a reasonably continuous</p>	<p>NES have appointed a new firm of Internal Auditors from 2005/6 and have already agreed an outlined programme for the audit work which is evenly spread through the year.</p>

		<p>basis there is a risk that a breakdown in the internal control framework could go unidentified for a significant period of time.</p> <p>We recommend that internal audit work is spread throughout the year.</p> <p>Priority 1</p>	<p>Responsible Officer: Director of Finance and Performance Management</p> <p>Implementation Date: Immediate</p>
--	--	--	--