NHS 24

Report on the 2006/07 audit

AUDIT SCOTLAND

July 2007

NHS 24

Report on the 2006/7 Audit

Contents

Executive Summary	1	Performance Management	13
Introduction	3	Governance	16
Organisational Risks	4	Looking Forward	20
Financial Statements	9	Appendix A: Action Plan	21

Executive Summary

Introduction

Based on our analysis of the risks facing NHS 24, in 2006/7 our audit work included: review of governance arrangements, including the adequacy of internal audit and a Computer Services follow up review; review of the Board's financial position and financial management arrangements. We audited the financial statements, including a review of the Statement on Internal Control. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of NHS 24 for 2006/7. NHS 24 carried forward into 2006/07 a surplus of £0.809m from the previous year. A surplus of £2.238 million was achieved in 2006/07, which represents an in year surplus of £1.429m. This surplus has arisen mainly as a result of slippage in the implementation of a number of projects and from backdated costs of Agenda for Change being less than had been provided for in prior years.

Table 1
Financial Performance

	2006/7 £ Million	2005/6 £ Million
Net operating costs Less capital grants to other bodies Less other allocations	54.586 - -	50.692 - -
Net resource outturn RRL	54.586 56.824	50.692 51.501
Saving against RRL	2.238	0.809
Capital grants Capital expenditure Capital disposals (@ NBV)	- 1.598 -	- 2.524 -
Net capital expenditure CRL	1.598 3.125	2.524 4.409
Saving against CRL	1.527	1.885

An efficient government savings target of £0.5 million was set and achieved for 2006/7, and an equivalent target has been set for 2007/08.

Performance management

NHS boards are now required to produce Local Delivery Plans (LDPs) which state their planned levels of performance against a core set of key targets (HealthEfficiencyAccessTreatment). NHS 24 has in place sound processes and systems for monitoring performance against targets and the Board receive regular reports on progress against the LDP.

Governance

Clinical Governance, including clinical risk management, within NHS 24 is overseen by the Clinical Governance Committee which is a sub-committee of the NHS 24 Board. It receives regular reports on the operation of the system and specific reports on issues that emerge which assist the committee in providing assurance to the Board that existing arrangements are working effectively.

We noted that NHS Quality Improvement Scotland undertook a clinical governance and risk management review within NHS 24 during 2006/07. However, while an overall rating of 2 (the NHS board is in the implementing phase) was awarded, we note that an action plan has been developed in response to the findings and is being regularly reviewed by management

Our work on corporate governance focused on our Code of Audit Practice responsibilities as they relate to systems of internal control; prevention and detection of fraud and irregularity; standards of conduct and NHS 24's financial position. We also relied on the work of Internal Audit to give us assurance in relation to aspects of our governance responsibilities particularly those relating to systems of internal control. Additionally, we undertook a review of financial management and financial position, and updated our previous work on our computer services review.

Risk management is incorporated into the corporate planning and decision-making processes of NHS 24, and is overseen by the Audit Committee. Internal Audit carried out a review of Risk Management, and reported in January 2007 that NHS 24 had established effective and well structured risk management processes.

During the year we carried out a review of NHS 24's financial position and financial management arrangements. We were able to conclude that NHS 24 has a robust approach to financial planning and financial management, which is appropriate to the size and nature of the organisation. Financial planning and management are generally well organised and involves a high degree of participation from budget holders. However further improvements could be made by agreeing plans earlier and developing firm savings plans, preferably prior to the start of the financial year.

We reviewed progress towards implementing actions to reduce the risks identified in the Computer Services Review (CSR) prepared as part of our 2004/5 audit and reported that the matters raised in the original report have been addressed.

Audit Scotland

July 2007

Introduction

1. This report summarises the findings from our 2006/7 audit of NHS 24. The scope of the audit was set out in our *Audit Risk Analysis and Plan*, which was presented to the Audit Committee in January 2007. This plan set out our views on the key business risks facing NHS 24 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 consider the key issues we raised in this report. Each report set out our detailed findings and recommendations and NHS 24's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by the Board to address them.

3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Board during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk .

Organisational Risks

Introduction

4. In our audit plan, we identified seven main areas of risk for NHS 24. We also described longer term planning issues which would impact on NHS 24 and our audit in the future. In this section, we describe the risks and our views on their current status.

Service sustainability

5. In our audit plan, we commented on NHS 24's 2006/09 Strategy **Working for a Healthier Scotland** and the challenges facing the organisation in developing new services, and expanding its role in the wider NHS, in an environment of tighter financial constraints. The prospect of operating in a more rigorous financial environment is addressed directly in the 5 Year Financial Plan which was approved by the Board in November 2006. Among its key assumptions are that specific cost pressures and new developments will be covered by annual efficiency savings, and that any major strategic developments, including those set out in the Strategy, will be funded by SEHD and/or partner Boards based on detailed business cases. Despite having financial plans in place, the changes in financial environment will present a significant risk to NHS 24's ability to maintain its development and expand its role.

Risk Area 1

6. Our plan also discussed a key ongoing service development in the transition to multi-discipline teams, and the increasing use of non-clinical staff in providing clinical services. This approach was intended to increase access to the service and free up Nurse Adviser time to perform their role more effectively. The risk identified was that, without continuing training and monitoring, this change in service delivery could have an adverse impact on clinical safety and that calls might not be responded to appropriately. Management responded through the *Quality of Outcomes* project, which employed a clinical audit approach to analyse and evaluate outcomes from calls received by NHS 24. The project focus was on improvement in quality of service and clinical appropriateness of responses. Trends were determined and themes identified for appropriate action. An action plan was agreed and actions prioritised, with updates on progress reviewed by the Clinical Governance Committee. These measures appear to have been effective, and there is evidence that operational performance has improved over the year.

7. Our plan identified the need for NHS 24 to address the reputational risks which still exist in relation to public expectations of the service, and dependence on subsequent actions by partners to achieve the best clinical outcomes for patients. This area of risk was addressed to a large degree by the *Quality of Outcomes* project noted above and by measures to educate the public as to NHS 24's role in the provision of Out Of Hours care. In addition, a series of Patient Surveys have been carried out with generally favourable results and the level of formal complaints received has been reduced over the year.

8. Another risk identified related to Business Continuity Planning (BCP) and Disaster Recovery Planning, which were still being developed. As a Category 1 responder under the Civil Contingencies Act 2004, NHS 24 has a legal obligation to be able to provide services on a continuous basis. Business continuity plans are now in place, and their adequacy and effectiveness has been reviewed for compliance in the context of Civil Contingencies Act responsibilities. Management have also made changes to align risk management functions with business continuity.

9. A specific business continuity risk related to the requirement to relocate operations at the Golden Jubilee National Hospital by September 2007. A number of options have been evaluated during the year and a decision has been made to combine West Contact Centre operations and HQ functions at the same location in the Glasgow area. Negotiations for a particular site in the North of Glasgow were at an advanced stage. However, an alternative option has recently been proposed and is being considered by the Board. It is important that the decision on future location be made as soon as possible in order that staff uncertainty is eliminated, and arrangements for transfer of operations can be progressed.

Risk Area 2

Financial management

10. In our audit plan, we identified a number of risks for NHS 24 in achieving future financial balance in addition to the general financial pressures facing all NHS bodies in Scotland.

11. In addressing this area we carried out a review of NHS 24's financial position and financial management arrangements. This is addressed in the Governance and Financial Statements sections of this report.

Governance

12. Our plan noted several changes in the Senior Management Team during 2006/07, including new appointments to the Chief Executive and Director of Finance roles. Changes to key non executive members were also noted, with resignations of the Board Chairman and Audit Committee Chair. Changes in key roles always present risks for any organisation. The vacancies for Chief Executive and Director of Finance have been filled successfully with recent appointments to these key roles. New non executive members with considerable business expertise and health sector experience have also been appointed by the year end.

13. A risk was identified to the organisation's ability to recruit and retain senior management as a result of proposed changes to remuneration levels. This still remains an issue which will require to be kept under review by the organisation.

Risk Area 3

Performance management

14. Effective performance management systems are essential in order that performance can be monitored against key targets set out in the organisation's Local Delivery Plan (LDP). We note that there have been delays in fully implementing a new Workforce Management System (WMS). A risk from the ongoing delay is that critical performance management information might be unreliable or unavailable, due to deficiencies in manual gathering and interpretation of data.

People management

15. We noted that successful delivery of key NHS targets were dependent on staff capacity, capability and competency, and acknowledged that NHS 24's workforce development and planning processes, progress on Agenda for Change, and staff governance policies and procedures were relatively advanced.

16. As stated in our comments on performance management, there have been delays in fully implementing the new Workforce Management System. The resulting risk was that workforce information may not be sufficiently robust or accurate for effective decision making, planning and development purposes.

17. Under Agenda for Change the SEHD had previously set a revised deadline for staff to be assimilated by 31 October 2006, and this was then revised to 31 March 2007. While progress has been considerably ahead of national performance, the process has had an adverse effect on retention and recruitment of support staff e.g. HR and Finance. A specific issue has also arisen in relation to Unsocial Hours Arrangements which can in some cases result in less favourable conditions applying to NHS 24 frontline staff.

Risk Area 4

18. Absence management has been a significant issue affecting NHS 24 since its inception. Improvements have been made in recent years due to changes in policies and processes and improved information being available to frontline managers. However, recent indications are that absence rates are again deteriorating, although NHS24 have identified issues over consistency of information and the basis used for compilation of the data. We shall continue to review progress in this area on an ongoing basis.

Equal pay claims

19. There have been significant recent developments in the area of equal pay claims. 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 expanded on in the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. The National Health Service in Scotland has received a number of claims for backdated pay increases, arising from this requirement.

20. As at 31 March 2007 NHS bodies had received some 10,000 claims and these had been referred for attention to the Central Legal Office. Even taking account of the work which has been undertaken in relation to Agenda for Change, it is still possible that these claims represent a current liability for NHS 24, although we acknowledge that management do not consider that any significant exposure will apply to NHS 24. For 2006/07 we have accepted this position because of its stage of development and based on assurances received from management. We would, however, encourage NHS 24 management, working with the Scottish Executive Health Department, to review and resolve this matter in advance of compilation of next year's financial statements.

Partnership working

21. Strong partnership arrangements with other Boards and healthcare providers are critical to NHS 24's service delivery. One area identified for improvement was the information flow between NHS 24 and its partners, and the risk to satisfactory patient outcomes from inadequate or inefficient processes for exchange of information. Audit Scotland carried out a limited review of the information flows connected with the Out of Hours service. We identified a number of risk areas which management should consider in conjunction with Out of Hours (OOH) partner organisations. These included:

    - no electronic interface between NHS 24 systems and its partners, namely ambulance service systems and A&E department systems;
    - no information can be passed to pharmacists when patients are advised to visit their local pharmacy; and
    - no electronic interface between OOH call handling systems and GP systems.

22. A strategy for Patient Focus Public Involvement (PFPI) was still to be developed in order to give structure and focus to related activities. Until this was implemented there was a risk that there would be inadequate integration on PFPI matters across NHS 24, the Scottish Ambulance Service and NHS Boards. Activity in this area has now been incorporated into the remit of the Equality, Diversity & Involvement of Patients and the Public (EQIPP) Committee which met for the first time in October 2006. This committee approved a suitable strategy for 2006/09 in November 2006, and receives quarterly updates on PFPI activities against a PFPI Activity Framework.

Information management

23. In our audit plan, we noted that the major challenge facing NHS 24 with respect to ICT was the completion of the Connect Programme, a major E Health initiative bringing together the national Emergency Care Summary, the upgraded Patient Relationship Management software and the Knowledge Management System. Originally planned to be complete by June of 2006, various factors had combined to push its implementation to the end of June 2007. However, there remains significant technical issues to be resolved with the Knowledge Management System interface to the Patient Relationship Management system which is the main operational software being used. This is a key element of the whole programme which, if not resolved, will have service delivery, reputational and financial implications for NHS 24. The Connect Programme is now scheduled to go live on 31 July 2007.

24. NHS 24 faced challenges in respect of ensuring effective partnership working under the BT, Clinical Solutions (CS) and Atos Origin Alliance contracts. The key risk area is that NHS 24 may not receive full value from these partnership arrangements as a result of uncertainty over service delivery requirements. A number of strategies have been pursued by management to help ensure that working relationships are optimised. These include:

    - the new contract with CS details a 'Contract and Engagement' model aimed at improving the contractual relationship;
    - discussions with BT are ongoing and both parties have collaboratively agreed to produce a Business Case that will be presented to the Capital Investment Group in the Autumn; and
    - NHS 24 is developing partnership working in terms of the Atos Origin Alliance contract through their relationship with NHS NSS.

25. We also noted that information security policies had still to be fully developed and implemented. A variety of information security policies have now been implemented and policies relating to information sharing, consent and Caldicott were in the process of approval. The compendium of polices remained to be measured against HDL (2006) 41: NHSScotland Information Security Policy.

Financial Statements

Our responsibilities

26. We audit the financial statements and give an opinion on:

- whether they give a true and fair view of the financial position of NHS 24 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; and
- the regularity of the expenditure and receipts.

27. 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; and
- assessing whether disclosures in the Statement are consistent with our knowledge of NHS 24.

Overall conclusion

28. We have given an unqualified opinion on the financial statements of NHS 24 for 2006/7.

NHS 24's financial position

29. NHS 24 is required to work within the resource limits and cash requirement set by the Scottish Executive Health Department. NHS 24's performance against these targets is shown in Table 2 below.

Table 2
2006/7 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	56.8	54.6	2.2
Capital Resource Limit	3.1	1.6	1.5
Cash Requirement	59.9	56.2	3.7

30. NHS 24 has achieved a cumulative surplus in 2006/7 of £2.2 million. As the Board carried forward a £0.809 million surplus from the previous year this means there was in an in-year movement of £1.4 million. The RRL allocation for the year included £5.5m additional non-recurring allocation intended to fund completion of the major service developments begun in 2005/6. The saving against agreed funding has largely arisen from frontline staffing numbers not reaching forecast levels, with

consequent effects on other related frontline costs. Stripping out the impact of non-recurring/ring fenced funding allows us to reflect the underlying recurring funding gap in NHS 24 for 2006/7, as illustrated below.

Table 3
Funding Position 2006/7

	£ Million	£ Million
Total expenditure	55.1	
Total RRL	50.3	
Underlying surplus/(deficit)		**(4.8)**
Additional allocation		
Slippage on ring fenced projects – to be carried forward		
Balance		
Difference		
Other income	0.5	
Non-recurring SEHD income/year-end support	6.5	
Corporate savings programme		
Total other income		**7.0**
Financial surplus/(deficit)		**2.2**

31. SEHD have agreed a Revenue Resource Limit of £52.5 million for 2007/8, which, when combined with the agreed carry forward of £2.2 million, will provide a revenue budget for 2007/8 of £54.7 million. However, as part of the financial plan for 2007/8 and onwards, NHS 24 have had to build in savings to compensate for the loss of approximately £7m of non recurring funding received in 2006/7, but no longer available going forward. NHS 24 faces a challenging year in attempting to remain in financial balance.

Risk Area 5

32. NHS 24 are forecasting a break even financial position for 2007/8 and beyond. We have however, identified the following main risks which may impact on achievement. These include:

- unidentified cost pressures which exceed future allocation increases;
- strategic developments which are not fully funded by SEHD or partner boards;
- delays in achieving the staffing changes which are integral to the 5 year financial plan; and
- budget pressures arising from new initiatives, for example the relocation of the West Contact Centre and HQ facilities.

The issues arising from the audit

33. We reported the following main issues to the audit committee on 14 June 2007.

34. **Accrued Facility Management Charges:** Included in creditors is a balance of £325k intended to cover premises management charges at the Golden Jubilee National Hospital (GJNH). The accrual is based on an informal May 2004 e-mail estimate from GJNH management, and no further information has been received as to the costs which are being incurred. No payment has been made by NHS 24 for these management charges since the date of occupation, 12 November 2002. This matter was raised in our 2005/06 final report.

    Resolution: Finance department to contact GJNH in order to confirm the liability and ongoing charges.

35. **Accrued Migration Funding:** A total of £260k is included in creditors for funding amounts due to various health boards under the migration funding scheme. Under the migration funding arrangements GP practices could receive financial assistance towards improving their IT systems to make them compatible with NHS 24 systems. NHS 24 received this funding as part of their allocation, and had the responsibility for administering the scheme and awarding the funds. With the exception of £30k paid during 2006/07, there has been no movement since 2004/5.

    Resolution: Finance department to review the balance during 2007/08 following confirmation from partners that the billing process has been concluded.

36. **Agenda for change accrual:** We draw specific attention to the accrual for costs of the Agenda for Change programme for the period October 2004 to March 2007. Provision is necessary to reflect the costs attributable to the thirty month period ended 31 March 2007, but as yet not fully determined by the Board. A national methodology was developed to provide a basis for calculating these costs. The figure included within NHS 24's financial statements (£508k) has largely been arrived at by estimation, based on NHS 24's assumptions and refer mainly to call handlers and health information advisors. We have asked the Board for formal assurances, in a letter of representation, that the provision, in their judgement, represents a prudent estimate of anticipated costs.

    Resolution: Appropriate disclosure in Letter of Representation.

37. **Clinical and medical negligence provision:** The accounts disclose a nil balance in respect of such claims. We have asked management to supply evidence that, other than the Fatal Accident Inquiry (see below), there are no other claims pending.

    Resolution: The Director of Finance and IT has undertaken to request confirmation from the Central Legal Office (CLO) that there are no claims pending.

38. **Fatal Accident Inquiry:** The Sheriff's determination following a Fatal Accident Inquiry, involving NHS 24, was issued in September 2006. There is a reasonable possibility that claims against NHS 24 will follow. Given that final legal determination is still outstanding, management have disclosed this matter as a contingent liability which cannot presently be quantified. We are aware of a further Fatal Accident Inquiry which was notified to the Board in April 2007. We consider that appropriate disclosure should be made in the financial statements as a non-adjusting post balance sheet event.

    Resolution: Disclosure as a contingent liability and reference in Letter of Representation. Additional disclosure in relation to the Lothian Fatal Accident Inquiry to be considered.

39. **Equal Pay:** National consideration is currently being given to potential liabilities under equal pay legislation. We understand that this is being considered by the NHS in Scotland. The legal process is at a very early stage and the Central Legal Office has been unable to provide sufficient information to quantify the potential liability.

    Resolution: To be considered by those charged with governance and appropriate disclosure to be included in the financial statements and referred to in the Letter of Representation.

Statement on internal control

40. The Statement on Internal Control provided by the NHS 24 Accountable Officer reflected the main findings from both external and internal audit work. The Statement refers to a number of processes developed during the year to further enhance internal control, including the continuing development of risk management processes, including the establishment of a Risk Management Committee, and a review of the corporate governance framework.

41. The Statement did not refer to any specific areas of internal control requiring to be strengthened, and confirmed that there were no significant problems affecting the organisation which have had any material internal control implications.

Performance Management

Introduction

42. This section covers our assessment of the way in which NHS 24 secures value for money in the use of its resources and provides background on Audit Scotland's wider coverage of performance management across the NHS.

Performance management

43. NHS boards are now required to produce Local Delivery Plans (LDPs) which state their planned levels of performance against a core set of key targets (Health, Efficiency, Access and Treatment). NHS 24 has in place sound processes and systems for monitoring performance against targets, and the Board receive regular reports on progress against the LDP.

44. Performance against key targets is measured and reported in terms of the Key Performance Indicators (KPIs) detailed in the LDP, which in turn reflect the SEHD targets as they apply to NHS 24. Clear explanations are provided monthly to the Board for each target which is not being met. We noted that at the end of 2006/07, from a list of 21 detailed targets identified in the LDP, performance was behind target in only 4 cases.

45. As part of the 2007/8 audit we will be reviewing the progress that NHS 24 has made in strengthening their arrangement for securing Best Value since our baseline review work in 2005/6. Over the next year we will also be developing and refining our approach to the audit of bodies' arrangements to secure economy, efficiency and effectiveness in the use of resources, this being one of the key auditors' objectives under the new Code of Audit practice approved by the Auditor General. In turn, this will inform our ongoing work to develop our approach to the audit of Best Value across the Scottish public sector. We intend to consult with both clients and stakeholders at key stages of these initiatives.

National studies

46. In 2006/7, Audit Scotland published three national studies:

- Informed to Care: Managing IT to deliver information in the NHS in Scotland (November 2006);
- Catering for Patients: A follow-up report (November 2006); and
- Planning ward nursing – legacy or design? (January 2007).

47. In December 2006 an overview report was published; *Overview of the financial performance of the NHS in Scotland*, and two publications to assist NHS Boards and their members were also published:

    - Health and Community Care bulletin (May 2006), a summary of the key findings from the 2005/06 national studies; and
    - How the NHS works: Governance in Community Health Partnerships; a self-assessment tool (May 2006).

Informed to Care: managing IT to deliver information in the NHS in Scotland

48. This national study sought to provide a high-level overview of the national picture at a time when new structures were being put in place across the NHS (unified boards and community health partnerships), new staff contracts are being implemented, there is increasing joint working with other parties, such a local authorities, and there is increasing opportunity for innovation in service delivery and data management with developments in Information Management and Technology (IM&T)

49. The report concluded that 'Delivering for Health', published by the SEHD, signalled a more corporate approach for IM&T, with a shift away from local autonomy for strategic planning and associated decision-making, and that the SEHD recognised the need to review governance and management arrangements for IM&T throughout the NHS and was taking steps to improve them. Nevertheless there is still the need to develop an overarching information framework or strategy to inform the development of integrated IT solutions for the NHS in Scotland, taking account of all information needs and recent policy initiatives.

50. The report highlighted that the NHS does not know how much it spends on IM&T overall, but recognises that it falls short of the Wanless target of 3-4% of total health spend and should it seek to do so the SEHD will have to consider the future funding of IM&T developments. It was felt that greater stakeholder engagement is required to ensure all information needs are effectively addressed, and, finally, best practice in identifying, monitoring and reporting expected benefits from IM&T projects has to be adopted consistently across the service.

Catering for patients – a follow up report

51. This follow-up study assessed progress in implementing recommendations made in a baseline report, published November 2003, in the areas of nutrition, quality, patient satisfaction, costs and management of the catering service.

52. The key findings were that catering services are offering an improved level of choice, there are improvements in collating the views of patients, there are improvements in associated management information systems and Boards have reduced the level of wastage.

53. However more work has yet to be done in the areas of: nutritional care of patients, conducting patient satisfaction surveys, and closer management of the level of subsidy for non-patient catering services.

Planning ward nursing – legacy or design? – a follow up report

54. This follow-up study assessed progress made in implementing recommendations made in a baseline report, published 2002, in the areas of: workload and workforce planning, recruitment and retention, the use of bank and agency nurses, information on the quality of nursing care, and information to inform workforce planning and management of resources at ward level.

55. The key finding was that the SEHD has made progress in addressing the recommendations, thus laying the foundations for better ward nursing workload and workforce planning in the future. A wide range of recruitment and retention programmes have been implemented, and dependency on agency nurses (i.e. external to the NHS) has reduced, whilst use of bank nurses (i.e. internal to the NHS) has increased.

56. Areas for further improvement were identified in respect of: management information on workload and workforce; planning establishment to take account of annual leave, average sickness cover, study time, protected time for senior nursing staff, etc; closer management on the use of bank nurses and the development of quality indicators.

Governance

Introduction

57. This section sets out our main findings arising from our review of NHS 24's governance arrangements as they relate to:

    - clinical governance; and
    - corporate governance.

Clinical Governance

58. Clinical Governance, including clinical risk management, within NHS 24 is overseen by the Clinical Governance Committee which is a sub-committee of the NHS 24 Board. It receives regular reports on the operation of the system and specific reports on issues that emerge and provides assurance to the Board that existing arrangements are working effectively. The Committee met on six occasions in 2006/07.

59. During the year a risk identification and assessment exercise was undertaken to clarify those risks falling within the committee's remit, and the responsibilities for management, monitoring and reporting. These risks, and the operation of related controls, are managed through the Clinical Directorate Risk Register, which subsumed the previous Patient Safety Risk Register.

60. The Committee considered numerous updates and reports impacting on clinical governance, which included;

    - report on a risk workshop between NHS 24 and NHS Board partners on Satellite and Local centre operations;
    - regular updates on national pandemic flu planning and NHS 24's role;
    - NHS QIS National Overview of Out Of Hours Services; and
    - NHS QIS Clinical Governance and Risk Management Local Report.

61. The NHS QIS Clinical Governance and Risk Management Local Report provided a position against a number of clinical governance and risk management standards and sub components. Scorings were provided for each sub component and were averaged for each standard, to give an overall score of 2 (NHS 24 is at an 'implementating' stage of the standards). Based on the QIS findings, the Committee agreed the following actions to be completed in 2007/8:

    - organisational self assessment against the NHS QIS baseline is to be provided;
    - formal identification of the process for preparing for the next review; and
    - clinical governance workplan to be updated for progress subsequent to the review.

Corporate Governance

62. Our work on corporate governance focused on our Code of Audit Practice responsibilities as they relate to systems of internal control; prevention and detection of fraud and irregularity; standards of conduct and NHS 24's financial position.

63. We relied on the work of Internal Audit to give us assurance in relation to aspects of our governance responsibilities particularly those relating to systems of internal control. Additionally, we undertook a review of financial management and financial position, and updated our previous work on our computer services review and key internal controls.

64. Risk management is incorporated into the corporate planning and decision-making processes of NHS 24, and is overseen by the Audit Committee. Internal Audit carried out a review of Risk Management, and reported in January 2007 that NHS 24 had established effective and well structured risk management processes. Our regular attendance at this Committee confirmed that arrangements operated effectively.

65. The Audit Committee were provided with a risk management workplan for the year and regular updates throughout the year. The Board approved an updated Risk Management Strategy in February 2007 and received a Risk Management Annual Report in June 2007. Responsibility for organisation wide risk management during 2006/07 lay with the Director of Planning, however, for 2007/8 we note that responsibility will transfer to the Chief Operating Officer.

Financial position and financial management arrangements

66. During the year we carried out a review of NHS 24's financial position and financial management arrangements. This review, which was carried out across all NHS bodies audited by Audit Scotland, considered whether: financial planning is integrated with the overall strategic aims of the Board; the budget setting processes are robust; there is adequate scrutiny of financial plans and budget monitoring undertaken across the Board.

67. To address those objectives we conducted interviews and reviewed documentation in respect of: planning and budgets, budget setting and budget monitoring, reporting and scrutiny, and finally, forward planning.

68. Our report is currently in draft form with management and highlights a number of areas of good practice at NHS 24 in terms of its planning, budgeting and reporting and some areas for development.

69. Our review noted the following areas of good practice:

- participation in the budget setting process by budget holders;
- detailed financial modelling of the pay budgets; and
- preparation of recurring and non-recurring budgets to focus attention on baseline budgets.

70. We also highlighted the following areas exposed to risk

- the late agreement of the 2006/07 budget; and
- monthly Board reports require more information on performance against recurring elements of the budget, balance sheet movements and achievement of savings targets

71. We were able to conclude that NHS 24 has a robust approach to financial planning and financial management, which is appropriate to the size and nature of the organisation. Financial planning and management is generally well organised and involves a high degree of participation from budget holders. However further improvements could be made by agreeing plans earlier and developing firm savings plans, preferably prior to the start of the financial year.

Computer services review

72. We reviewed progress towards implementing actions to reduce the risks identified in the Computer Services Review (CSR) prepared as part of our 2004/5 audit, and reported that the matters raised in the original report have been addressed. NHS 24 continues to effectively manage the risks associated with delivery and development of services.

73. An eHealth Committee was established during the year to ensure effective governance arrangements are in place to meet SEHD requirements with respect to IT and e health activities, and to ensure best practice is integral to all technology systems deployed and IT/telephony services acquired.

National Fraud Initiative

74. In 2006/07 NHS 24 took part in the National Fraud Initiative (NFI) in Scotland. The Health Department and NHS Counter Fraud Services has 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 (£27 million to 2005) but, even if fraud or overpayments are not identified, assurances may be taken about internal arrangements for preventing and detecting fraud.

75. The NFI 2006/07 results (data matches) were made available to health bodies on 29 January 2007 via a new secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. I monitored the Board's involvement in NFI 2006/07 during the course of the audit.

76. We note that limited action has been taken by NHS 24 in response to the information provided. While the key officer contact was established, no action has been taken by the organisation to review the information provided. The process identified 63 high quality matches, with the majority being payroll to payroll matches both within and between bodies, and 17 medium matches (passport to UK visas). In addition some 65 other issues were identified in relation to information matches where for example, individuals appeared more than once. NHS 24 should review the information provided to ensure that any potential fraud is identified and minimized.

Looking Forward

77. NHS 24 faces significant challenges in 2007/8 which include:

- the changes in the financial environment will present a significant risk to NHS 24's ability to maintain development and expand its role in the wider NHS;
- by the end of 2007/8 NHS 24 is required to relocate its West Contact Centre and its HQ activities. Alternative options are still being considered. It is important that this decision is finalised as soon as possible to secure ongoing operations and to resolve staff uncertainty;
- as a result of recent reviews of senior management remuneration levels, and also due to certain Agenda for Change arrangements, recruitment and retention of staff remains an issue which will have to be kept under review by the organisation;
- completing the implementation of the Connect Programme; and
- implementation of Clinical Governance Action Plan resulting from the NHS Quality Improvement Scotland review.

78. The Board of NHS 24 recognises these challenges and is taking steps 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	Future funding levels may be insufficient for NHS 24 to maintain development and expand its role in the wider NHS.	The Five Year Plan has been built on the basis of the known recurring funding levels and expenditure plans of NHS 24. This suggests that NHS 24 will be able to live within it's current and future anticipated funding allocation. Each Director has signed off their Budget and agreed to manage their expenditure within the anticipated funding levels. Additional calls on resources for development and expansion will either have to be met out of additional efficiency savings, service redesign or through the preparation of business cases for additional funding, if appropriate. One of the principal objectives of each Director is to ensure that they manage their Directorate expenditure within their Annual Budget.	Robert Stewart, Director of Finance and IT for monitoring and control All Executive Team Members for expenditure planned and incurred.	Ongoing
2	Relocation of West Contact Centre operations and HQ functions, may cause disruption to service provision and staff uncertainty/morale problems.	There is a robust project plan in place and a specific workstream to address the staff/HR issues which includes addressing the issues of motivation and staff concerns around change. The plan has dates and milestones as well as a review process in place. It also includes communication input throughout the process as well as the involvement of partnership reps on each workstream and on the project board.	Jane McCartney, Director of HR	Ongoing
3	Recruitment and retention of senior management may be adversely affected by recent reviews in levels of remuneration.	This continues to be kept under active review by both the CEO and Remuneration Committee. Individual Directors are being kept up to date with all information from SEHD and the CEO has regular 1-2-1s with directors which will include discussion of any concerns they may have. The Chair and CEO will continue to make representation to SEHD on NHS 24 specific issues.	Director of HR, Jane McCartney / Alexander Forrest, Chief Executive Officer	Ongoing

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
4	Recruitment and retention of support staff, and of some clinical roles, may be adversely affected by Agenda for Change arrangements.	While some retention issues were experienced as a result of A4C results these have now largely worked themselves through the system. There was an unexpected advantage to NHS 24 in that voluntary support staff leavers assisted the organisation meet financial savings targets and allowed some flexibility around changes to support dept structure changes. We continue to keep recruitment under ongoing review and would consider an application under the Recruitment & Retention premia policy if it was considered appropriate. Work is also ongoing through our L&D team and via the Engaging People project to make NHS 24 a positive place to work and detail of this can be found in the Strategic Workforce Plan.	Jane McCartney, Director of HR	Ongoing
5	Failure to achieve savings targets results in failure to remain in financial balance.	See response to Action Point 1 above	See 1 above	See 1 above