

NHS 24

Report on the 2007/08 Audit

 AUDIT SCOTLAND

July 2008

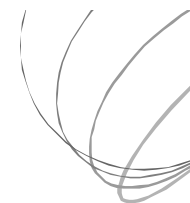


NHS 24

Report on the 2007/08 Audit

Contents

Executive Summary	1	Governance	15
Introduction	3	Looking Forward	22
Financial Position	4	Appendix A: Action Plan	24
Performance Management	10		



Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by NHS 24. We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial position

As at 31 March 2008, NHS 24 is carrying forward a cumulative surplus of £0.255 million. As the Board carried forward a £2.238 million surplus from the previous year this means there was in an in-year deficit of £1.983 million. The RRL allocation for the year included £3.9 million additional non-recurring allocation. The main elements of this non-recurring allocation were the agreed 2006/07 carry forward balance and some £1.5 million to fund new developments such as the cognitive behavioural therapy initiative and the Breathing Space project.

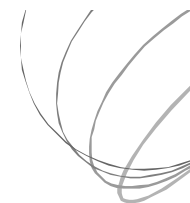
NHS 24 recognised in 2007/08 that the high levels of funding which had been provided in the past as it established its operations were no longer available. The Scottish Government Health Directorate (SGHD) has agreed a Revenue Resource Limit of £53.377 million for 2008/09 including the funding uplift which has been restricted to 3.15% in line with the national average. A number of cost pressures have been identified. These include general cost pressures (£1.3 million) and unfunded service developments of £1.4 million. As part of the financial plan for 2008/09 and onwards, NHS 24 have built in the nationally required 2% efficiency savings which can be retained locally for reinvestment. Specific service developments and cost pressures are being financed within this plan.

The Board's financial statements include provisions in respect of Agenda for Change payments, and do not reflect any potential liability for equal pay claims. Accounting estimates and provisions, by their nature, include a degree of uncertainty and any under-estimate of costs in 2007/08 could have a significant impact in future years.

Financial statements

We have given an unqualified opinion on the financial statements of NHS 24 for 2007/08.

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.



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 a number of its targets. There are however some areas of concern such as sickness absence and the number of staff leavers during the year both of which are critical to NHS 24's service delivery. We noted that action is being taken to address all areas of under-performance and the Board considers itself to be well placed to meet the targets in due course.

Best Value

As part of our 2007/08 best value audit approach, we piloted a use of resources audit toolkit which focussed on financial management. We also followed up on the 2005/06 best value baseline review. Both of these projects are currently being finalised. Preliminary findings indicate that NHS 24 financial management arrangements are soundly based and progress is continuing to be made against the nine best value principles.

Governance

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

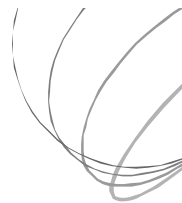
Clinical governance arrangements have been streamlined during the year and greater clarity over the roles and responsibilities of supporting groups has been achieved. The Clinical Governance and Risk Management Committee continues to monitor compliance with the NHS Quality Improvement Scotland (QIS)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

Looking forward

The final part of our report notes some key risk areas for NHS 24 going forward. These include reference to tighter future funding and the challenges of delivering the targets contained within the Local Delivery Plan and at the same time, delivering efficiencies.

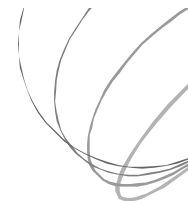
The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
July 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of NHS 24. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 18 January 2008. 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 range 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. 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, www.audit-scotland.gov.uk.



Financial Position

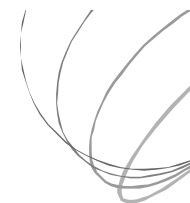
4. In this section we summarise key outcomes from our audit of the NHS 24 financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

5. 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 that part of the operating and financial review which covers principal activities and financial performance included in the financial statements
 - the regularity of the expenditure and receipts.
6. 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 the Board.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of NHS 24 for 2007/08.
8. As agreed the unaudited accounts were provided to us on 28 April 2008 supported by a working paper package. We encountered difficulties in resolving a number of issues due to annual leave commitments of key staff, changes in staff roles and responsibilities and the Headquarters move to new accommodation during the course of the audit. We were however able to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 12 June 2008.



The Board's financial position

Outturn 2007/08

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

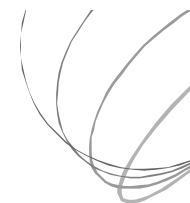
Table 1
2007/08 Financial Targets Performance £'000

Financial Target	Target	Actual	Variance
Revenue Resource Limit	55,656	55,401	255
Capital Resource Limit	6,277	6,276	1
Cash Requirement	61,834	61,834	0

10. NHS 24 is carrying forward a cumulative surplus of £255,000. As the Board carried forward a £2.238 million surplus from the previous year this means there was in an in-year deficit of £1.983 million. The RRL allocation for the year included £3.9 million additional non-recurring allocation. The main elements of this non-recurring allocation were the agreed 2006/07 carry forward balance and some £1.5 million to fund new developments such as the cognitive behavioural therapy initiative and the Breathing Space project. Stripping out the impact of non-recurring funding allows us to reflect the underlying recurring funding gap in NHS 24 for 2007/08, as illustrated in Table 2 below.

Table 2
Funding Position 2007/08

	£ Million	£ Million
Recurring income	51.7	
Recurring expenditure	54.4	
Recurring savings	2.5	
Underlying recurring (deficit)		(0.2)
Non-recurring income	3.9	
Non-recurring expenditure	3.8	
Non-recurring savings	0.3	
Non-recurring surplus		0.4
Financial surplus		0.2
Underlying recurring (deficit) as a percentage of recurring income		(0.4%)



11. As noted above the Board is using non-recurring income to help meet recurring and non-recurring expenditure. While we recognise that at times this is necessary, the Board should aim to be in recurring balance, and use non-recurring income only for one-off items of expenditure.

2008/09 Budget

12. NHS 24 recognised in 2007/08 that the high levels of funding which had been available in the past as it established its operations were no longer available. The Scottish Government Health Directorate (SGHD) has agreed a Revenue Resource Limit of £53.377 million for 2008/09 and includes the funding uplift which has been restricted to 3.15% in line with the national average. A number of cost pressures have been identified. These include general cost pressures (£1.3 million) and unfunded service developments of £1.4 million. As part of the financial plan for 2008/09 and onwards, NHS 24 have built in the nationally required 2% efficiency savings which can be retained locally for reinvestment. Specific service developments and cost pressures are being financed within this plan. NHS 24 faces another challenging year to remain in financial balance particularly if efficiencies are not achieved.

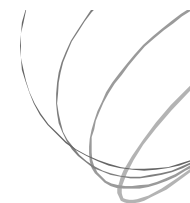
Risk area 1

13. The capital allocation for 2008/09 has been set at £1.608 million compared to the 2007/08 allocation of £6.277 million. Capital investment in 2008/09 consists only of technical upgrades and rolling programmes to update IT and Telephony. The challenge will be to cope with items outwith this overall plan. Any new initiatives or strategic service developments will require specific SGHD funding or additional funding from partners.

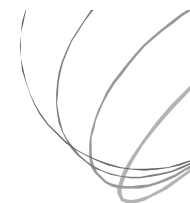
Issues arising from the audit

14. As required by auditing standards we reported to the Audit Committee in June 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
15. **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. As at 31 March 2008, NHS bodies had received some 12,000 claims and these have been referred to the Central Legal Office. It is possible that these claims represent a current liability for NHS Boards generally. By the end of May 2008, there were 15 grievances registered against NHS 24. An unquantified contingent liability was included in the notes to NHS 24's financial statements. This is discussed further at paragraphs 21-25 below.

Risk area 2



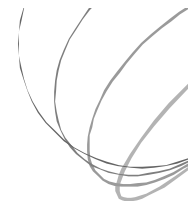
16. **Clinical and medical negligence provision.** The accounts disclose a nil balance in respect of such claims. However information has recently been provided by management which highlights a small number of claims being made against NHS 24. Guidance requires that either a provision is made, together with any related income to be received through the CNORIS scheme, and/or a contingent liability/asset is disclosed within the financial statements. Neither inclusion has been made in the financial statements. We, therefore, included the associated entries and disclosure in the summary of unadjusted audit differences.
17. **Chief Executive's resignation.** The former Chief Executive resigned in October 2007. We have examined the relevant documentation and note that a compromise agreement was reached. We are not aware of any additional liabilities likely to arise in the context of the 2007/08 annual accounts in connection with this matter. We are aware that the Scottish Government Health Directorate was kept fully informed. We received confirmation from the Director of Finance and IT that he has satisfied himself as to the regularity of the transaction.
18. **Organisational restructuring.** The 2007/08 – 2011/12 Financial Plan, which was agreed by the board on 30 November 2006, included a significant re-organisation of NHS 24 and, as such, significant re-organisation costs have been incurred in 2006/07 and 2007/08. This has largely been attributable to reduction in headcount. The opening provision of £530k was increased by £173k during the year and some £530k utilised during 2007/08. Of the £530k, £228k related to two redundancies and the remainder to 20 compromise agreements, which were a mixture of redundancy payments, payments in lieu of notice and ex-gratia payments. We received assurance that the Board had taken steps to assure itself that the costs of restructuring represent value for money relative to the recurrent savings that will accrue as a result of the new structure of the organisation.
19. **Agenda for Change provision.** As at 31 March 2007, £508k had been accrued in respect of Agenda for Change payments. During 2007/08, costs of some £638k were actually incurred and the full accrual utilised. However, during 2007/08, management became aware of outstanding staff grading reviews associated with Agenda for Change and have decided to provide £100k to support future payments. The figure included within NHS 24's financial statements has largely been arrived at by estimation, based on NHS 24's assumptions and refer to a range of staff posts and grades. We have received formal assurances from the Board in the letter of representation, that the provision, in their judgement, represents a prudent estimate of anticipated costs.
20. **Prepayment.** From our audit work we have identified an item of expenditure for £198k in 2007/08 which relates to the provision of use of a licence in 2008/09. We consider this to be a prepayment in respect of 2008/09. We agreed that this figure was to remain unadjusted and £198k was taken to the Summary of Unadjusted Errors.



Equal Pay Claims

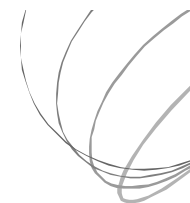
21. Article 141 of the Treaty of Rome requires member states to ensure and maintain “the application of the principle that men and women should receive equal pay for equal work”. This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from 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 NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
22. As at 31 March 2008, NHS bodies had received some 12,000 claims and these had been passed to the CLO. It is possible that these claims represent a current liability for NHS boards generally. For 2006/07, we accepted the view from NHS 24 management that equal pay was not considered to be a significant issue due to its recent inception. However, by the end of May 2008 there were 15 grievances registered against NHS 24.
23. The CLO has co-ordinated the legal response to all claims and has attended Tribunal Hearings at which discussion about procedural matters has taken place. The CLO affirms that the cases in Scotland are at too early a stage to allow any assessment of financial risk to be included in the financial statements.
24. A number of issues contribute to this uncertainty. These include:
 - certain recent applications incorporate a challenge to the Agenda for Change system, stating that it is, in itself, discriminatory and perpetuates discrimination. This allegation is made in terms of section 77 of the Sex Discrimination Act and seeks to bring all those who were signatories to the Agenda for Change Final Agreement into the proceedings, including Unison and GMB. This allegation of discrimination needs to be legally tested
 - claimants also seek to identify whether or not the Scottish Government or Health Boards is/are responsible for all the claimants’ terms and conditions relating to pay. This is often referred to as the “single source issue”. If this issue is actively pursued by the claimants, then it will require to be legally tested.
25. We note the CLO’s current view of the stage the cases have reached but strongly encourage NHS 24 management, working with the Scottish Government Health Directorate and other NHS Boards, to form a view of the potential liabilities as soon as practicable taking into account the progress of cases in Scotland and in England.

Risk area 2



Regularity

26. 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 the 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.



Performance Management

27. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
28. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.
29. This section covers our assessment of the way in which NHS 24 secures value for money in the use of its resources. This year we focused primarily on examining the arrangements for best value through a follow up to the base line study and reviewing the arrangements for best value Use of Resources, focusing on financial management.

Performance Management

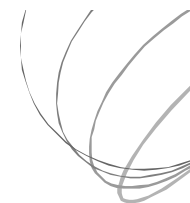
30. The Local Delivery Plan (LDP) is a strategic document for NHS 24 as it sets out the agreement reached with the Scottish Government on delivering the HEAT (Health improvement, Efficiency, Access and Treatment) targets. It outlines NHS 24's planned performance for the year against a core set of key HEAT targets plus additional internal supplementary 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. The Chief Executive reports progress against the Local Delivery Plan to the Executive Management Team monthly and at each Board meeting together with an analysis of the reasons for targets being missed, the potential outturn position and of possible mitigating actions.
31. The final 2007/08 outturn against the targets shows that several significantly outperformed the target particularly in relation to 'access' indicators. However, performance did not meet the targets in respect of:
 - reducing the percentage of untriaged calls to partners (6.1% of calls were passed to partners on average in the year, compared to the target of 4.1%)
 - reducing the percentage of days lost to sickness (the rolling rate of absence was 8.6% by year-end, compared to a target of 6%;
 - reducing the percentage of employees leaving each year (an annualised rate of 20.3% was achieved, compared to a target of 17%)



- the planned trajectory of quarterly increases was not consistently met for the Health Improvement target of increasing the number of Breathing Space calls (the planned quarterly number of calls was not achieved in the second, third and fourth quarters).
32. We are pleased to note that there are actions in place to address each of the above mentioned areas of under-performance.
33. The 2008/09 Local Delivery Plan includes 15 HEAT targets, 8 local targets that NHS 24 intends to continue monitoring and also indicates where NHS 24 will be supporting territorial Boards in meeting their targets. While the Efficiency target of reducing untriaged calls has been superseded by new arrangements with partners to pass on pre-prioritised calls (as above, this target was not achieved during 2007/08) NHS 24 intend to continue monitoring this target. There are a number of actions in place to reduce reliance on partners outwith festive and holiday periods when passing on calls to partners is a valid NHS 24 response to peak demand.

Best Value developments

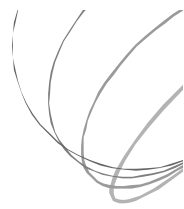
34. The positive impact of the best value concept in local government led Scottish Ministers to introduce a non-statutory best value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on best value as a means of supporting public service reform.
35. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the best value regime 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.
36. The framework for our proposed best value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
37. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.



38. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.
39. The first of these toolkits, which covers Financial Management was piloted in part in NHS 24 during 2007/08. The review sought to establish the Board's position in relation to Financial Governance and Leadership.
40. Our work in this area is ongoing, although we have established that the Board's arrangements in this area appear to be soundly based. We plan to submit our summary report shortly, drawing upon examples of good practice across the NHS in Scotland.
41. 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.
42. In 2007/08, we reviewed the baseline information to ascertain what arrangements NHS 24 have put in place to take forward the best value agenda and demonstrate continuous improvement. We are presently collating information for this update and will report our findings shortly. Preliminary work indicates that NHS 24 is continuing to make progress against best value principles.

Efficiency

43. The 1% cash releasing efficiency savings target for 2007/08 was incorporated into revised Directorate budgets during the year. The achievement of the target was monitored and reported to the Board throughout the year in the financial report presented by the Director of Finance & IT and in the Chief Executive's report against the Local Delivery Plan, where it was recorded as an internal supplementary target. The target was fully achieved and performance against the efficiencies required by the Five Year Plan is on track.
44. There is a requirement to deliver annual recurring cash releasing efficiency savings of 2% for 2008/09 onwards. NHS 24 is planning to fully realise these savings to fund additional cost pressures and to release £0.2 million towards further service developments. It is considered that these savings can be achieved by rolling forward projects already in place. We are aware that Internal Audit intend to conduct a review of the Efficiency Savings Plan during 2008/09.
45. It has been recognised that unidentified future cost pressures may exceed future SGHD allocation uplifts and the strategic developments initiated by NHS 24 may not receive funding from either SGHD or from partner NHS Boards. Service redesign, and in particular changes in frontline staffing profiles,



may not follow the predicted timescales and cost profiles. In recognition of this the organisation has classified this risk as high because the recruitment of frontline staffing to meet revised profiles may be difficult given that the work is “out-of-hours”.

Risk area 3

National Studies

46. Audit Scotland published a number of national study reports during the year. Two reports, Primary care out-of-hours services and Overseas staff in the NHS – pre-employment checks are considered to be of particular relevance to NHS 24. The reports noted:

Primary care out-of-hours services

47. This study reviewed changes to the delivery of primary care out-of-hours services. We looked at national and local planning for out of-hours care; how much it costs the NHS; and how the current delivery of out-of-hours services affects patients and GPs.

48. The key messages are:

- over 95 per cent of GP practices have chosen to opt out of providing 24-hour care to their patients, with responsibility passing to NHS Boards. This has been a major challenge for NHS Boards but they have managed to sustain services for patients. The opt-out offers an opportunity for NHS Boards to change the way services are delivered and to improve patient care, although this will take time to be used to its full potential
- most of the funding for new out-of-hours services comes from NHS Boards’ budgets. This has added to cost pressures for NHS Boards, particularly in rural areas where they have had to meet a greater percentage of the costs. The cost to NHS Boards in 2006/07 was approximately £67.93 million
- the overall impact on patient care of GPs opting out of out-of-hours services is not clear as it has been introduced alongside other changes. Due to the lack of national data available it is difficult to assess whether patients are benefiting, however, over 80 per cent of patients are satisfied with the service they received. GPs are positive about being able to opt out and 88 per cent of GPs are relieved to no longer have 24-hour responsibility for patients.

Overseas staff in the NHS - pre-employment checks

49. This study was undertaken as a consequence of the security incidents in London and Glasgow in June 2007 which allegedly involved staff working in the NHS. Following these incidents the Cabinet



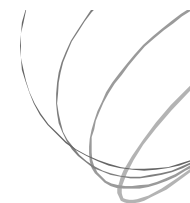
Secretary for Health and Wellbeing asked for an examination of whether pre-employment screening of overseas staff working in the NHS in Scotland is in line with the relevant guidelines.

50. The key messages from the study were:

- the NHS in Scotland does not have an accurate picture of the number of overseas staff employed. This means we are unable to give an assurance that the sample of personnel records we reviewed is representative. Our findings are therefore indicative only
- Boards reported 1,161 overseas staff in NHS employment across Scotland at September 2007. However this is likely to be an underestimate as Boards had difficulty identifying staff here on indefinite leave to remain
- in the five sample boards where we did more detailed work on compliance with pre-employment checks for overseas staff, Boards had similar procedures and there was evidence of high compliance with procedures in the sample of personnel records reviewed.

51. In December 2007 the Scottish Government produced guidance on the recruitment of staff, including the additional procedures that must be followed when recruiting overseas staff. This guidance sets out the minimum requirements for NHS employers and implementation of the guidance is a requirement of the Staff Governance standard.

52. This review was later extended to cover all territorial and special health boards in Scotland. We have noted the key findings arising from our review undertaken at NHS 24 at paragraph 71.



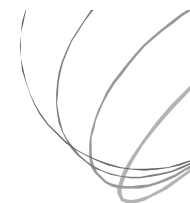
Governance

Overview of arrangements

53. This section sets out our main findings arising from our review of NHS 24's governance arrangements. This year we reviewed:
- key systems of internal control
 - internal audit
 - aspects of information and communications technology (ICT)
 - overseas staff pre-employment checks.
54. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 4-26). Our overall conclusion is that arrangements within NHS 24 are sound and have operated throughout 2007/08.

Corporate Strategy and Planning

55. NHS 24's current three year strategic plan for 2006-2009 "Working for a Healthier Scotland" has been reviewed for consistency with the SGHD "Better Health, Better Care" document and continues to be the driver for corporate planning.
56. In addition to its three main networked telephony services (24 hour clinical unscheduled care, Health Information & Health Improvement and the "Breathing Space") NHS 24 additionally provides call handling and dental nurse triage for the Scottish Emergency Dental Service, the NHS Helpline and Special Helplines for NHSScotland. Integration with local Boards' out-of-hours services is continuing in order to link staff, technology and processes. The current three year strategic plan aims to improve existing provision and to adapt and broaden activities in line with the needs of local Boards and the SGHD.
57. The re-organisation of the senior manager structure of NHS 24 was completed during the year. The overall process has incurred significant costs. Total costs of some £1 million have been incurred for compromise agreements and redundancies for staff over the last two years. As noted at paragraph 18 we have received assurances from the Director of Finance and IT that the payments have been appropriately initiated, approved and properly carried out.



58. The organisation has been without a substantive Chief Executive since October 2007 when the incumbent resigned after six months in post. The Medical Director was appointed as the interim Chief Executive. The number of senior manager posts has been reduced and a revised Executive Management Team structure put in place.
59. In May 2008, the HQ office moved to new accommodation at Cardonald Park. It formed part of a joint venture with NHS Greater Glasgow and Clyde and the Scottish Ambulance Service. As a consequence 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 will be co-located. The project provides a good example of joint working put into practice.
60. We are pleased to record that the Corporate Governance Manual which was first introduced last year, has been subject to two revisions during 2007/08. However, we are aware that further work is required to review the terms of reference of the Committees, to provide terms of reference for the various management groups, to codify the responsibilities of executive directors and update the Financial Operating Procedures.

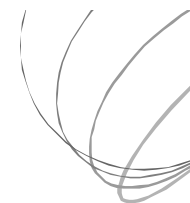
Risk Area 4

Systems of internal control

61. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and 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 2007/08 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.
62. 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.

Statement on internal control

63. The Statement on Internal Control provided by NHS 24's Accountable Officer provides a summary of the framework of governance committees and processes which are in place to ensure effective systems of internal control and reflects the main findings from both external and internal audit work.

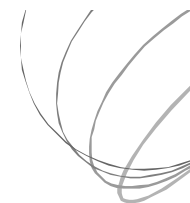


Internal Audit

64. 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 2007/08 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 2007/08, as we anticipated in our annual audit plan.

Clinical governance

65. The Clinical Governance Committee is a statutory Committee required to be 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.
66. The Committee is monitoring compliance with the NHS Quality Improvement Scotland (QIS) Standards. NHS QIS undertook a review of the clinical governance and risk management arrangements in August 2006 and judged NHS 24 over three standards and gave a score of five (with the lowest possible score being three) out of twelve in relation to specified clinical governance and risk management objectives and areas for improvement were identified. The Committee is monitoring the actions agreed in response to this report and has incorporated them into the Clinical Governance & Risk Management Workplan. An organisational self-assessment against the NHS QIS baseline will be undertaken, with the support of internal audit in 2008/09, in preparation for the next NHS QIS review which is expected in August 2009.
67. During the year the NHS 24 Clinical Framework was developed in consultation with partners. It will be used as the basis for discussions in the planning, building and assessment of clinical services with unscheduled care network partners. NHS 24 are developing clinical performance indicators to cover the full patient journey across all parties.
68. A full review of the clinical governance arrangements took place during the year with the involvement of patients and internal stakeholders. A new simplified structure was approved in June 2008. The Committee is of the view that that the revised structure will provide greater clarity in the roles and responsibilities at national, regional and team level. We shall consider the effectiveness of the new structure as part of our ongoing audit review.



People management

69. Absence management continues to be a significant issue for NHS 24 with reported absence at 31 March being 8.6%. The Local Delivery Plan for 2007/08 set the target for the percentage of days lost due to sickness to be 6% by March 2008. In addition, the 2007 Annual Review also highlighted the need for a new action plan for addressing sickness absence within NHS 24. We acknowledge that the nature of NHS 24's operations gives specific problems around staff attendance in that the majority of the service delivery is in the out of hours period. The SGHD has recently amended its targets in line with the implications of the Disability Discrimination Act in respect of allowable absences and as a consequence, reporting of absence will be shown net of these figures and will be shown on a monthly basis. Sickness absence as at the end of June 2008 is recorded at 6.29% which is in line with the target of 6.2% for the period.

Risk area 5

70. Recruitment and retention is also a significant issue for NHS 24 of long standing. The Local Delivery Plan for 2007/08 set a target for the percentage of employees leaving per year to be reduced to 17% by March 2008 (the actual annualised rate was 20.3%). As a consequence, a recruitment action plan for frontline staff was established during the year and progress has been monitored by the Staff Governance Committee. A review of this action plan by the committee identified that a major contributory factor was the effect of the implementation of the attendance management policy, specifically on nurse advisors with long-term absences.

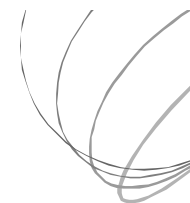
Risk area 5

71. Our review of "Overseas staff in the NHS – pre employment checks" established that NHS 24 is applying the revised Partnership Information Network guidance issued in December 2007 to a great extent. We identified that there were some aspects of controls which could be improved but that there were no issues of significant concern.

72. Workforce planning will be improved in 2008/09 with the introduction of the new Workforce Management System which will incorporate the revised rota structure. Internal audit plan to assess the system's control environment and consider operational governance issues such as attendance management and resource planning.

Partnership Working

73. 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.



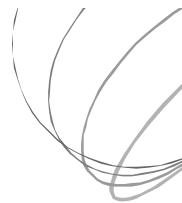
74. Our audit plan identified the need to integrate PFPI across NHS 24 and territorial Boards and Scottish Ambulance Service. We are pleased to note that a PFPI Coordinator was appointed during the year to further engage with internal and external stakeholders, including voluntary organisations. Work commenced in October to explore how NHS 24 could create better links with PPFs across Scotland by initially identifying structures and processes within local Boards and then considering how NHS 24 could better engage with them. Meetings have been held with 29 PPFs and Community Health Partnerships/Community Health Care Partnerships, to receive feedback on the services NHS 24 provide for them and to consider the options available. This remains a significant challenge for the Board to take forward.
75. Our audit plan further commented that the efficient and effective exchange of information between NHS 24 and its partners is critical for optimum service delivery. We are aware that Partner Engagement Teams have been formed at each regional centre and meetings are held to monitor collective performance and joint audits are conducted with GP out-of-hours services and the Scottish Ambulance Service. This process will be extended to accident and emergency services in future. A process to establish joint clinical key performance indicators with partner organisations is also under development.

Prevention and detection of fraud and irregularities

76. NHS 24 has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members. The Board works in partnership with the Counter Fraud Service and has appointed a lead executive director to be responsible for this work.

NFI in Scotland

77. During 2007/08, we continued to monitor the Board's participation in the 2006/07 National Fraud Initiative (NFI). This exercise is undertaken as part of the audit of the participating bodies. NFI brings together data from health bodies, councils, police, 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.
78. The NFI has generated significant savings for Scottish public bodies (£9.7 million from the 2006/07 exercise and £37 million including previous exercises). While health bodies did not identify a significant part of these savings, as they are principally responsible for payroll matches, the inclusion of health bodies was worthwhile. Health employees were linked with several payroll irregularities, including a significant payroll fraud involving working while on sick leave at another body. Health employees were also linked with more than 90 cases of Housing Benefit fraud or overpayment.



Where fraud or overpayments are not identified in a body, assurances can usually be taken about internal arrangements for preventing and detecting fraud.

79. In May 2008 Audit Scotland released its report *National Fraud Initiative in Scotland 2006/07*. A full copy of the report is available on Audit Scotland's website www.audit-scotland.gov.uk. The report highlighted a range of areas where prevention and detection of fraud had been enhanced.
80. The report also noted that while the majority of participating bodies performed their role satisfactorily, reported performance was not as good in the following areas:
- about a quarter of participants could have planned better for NFI, demonstrated more commitment to the exercise or started work on their matches more promptly
 - bodies should review their approach to selecting matches for investigation. Better use could have been made of the web based application
 - six bodies in particular need to address a number of weaknesses in their approach. (NHS 24 was one of these six bodies; see paragraph 82 below).
81. In 2006/07, we noted that limited action had been taken by NHS 24 in response to the information provided. Whilst the key contact was established, no action had been taken by the organisation to review the information provided.
82. We continued to monitor the Board's progress with NFI as part of the 2007/08 audit. It was disappointing to note that following on from the comments made in our 2006/07 final report as to the absence of progress, we had to report to Audit Scotland in February 2008 that NHS 24 had not planned adequately for the 2006/07 process starting, that substantive work had not commenced within a reasonable time frame, nor were the arrangements overall adequate. As a consequence the report noted above identified NHS 24 as one of the six organisations that needs to address a number of weaknesses in their approach.
83. We note that since the publication of the national report, NHS 24 has started to re-engage in the process and have directed their internal auditors to review the current situation and identify the actions required to complete the NFI exercise. As at June 2008, the data matches have been reviewed by internal audit and assessed for follow-up where appropriate. Work is ongoing to progress the outstanding matches where information is required from third parties.
- Risk area 6**
84. Looking forward, Audit Scotland is working to widen the scope of the NFI in line with the rest of the UK. Public bodies will provide information again in October this year as part of their 2008/09 audits with the output expected in early 2009 and we shall monitor NHS 24's progress in this area.

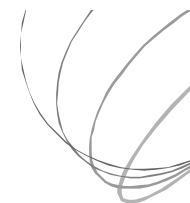


Information and Communication Technology

85. During the year the eHealth Committee has further developed its role to ensure that effective governance activities are in place for all technology arrangements. The committee is establishing a process that will provide ongoing review of the key contracts. In addition, the Connect Upgrade was reviewed with all stakeholders, including key suppliers, in order to identify lessons that can be learned and applied to improve processes in future.
86. NHS 24 has implemented a range of information governance policies. The challenge remains for management to effectively disseminate these policies to ensure that awareness is raised and appropriate information security procedures are maintained throughout the organisation.

Risk area 7

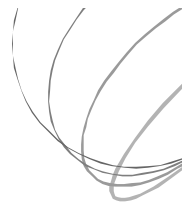
87. NSH 24 has continued to focus on business continuity planning and has performed a review of existing planning and processes, developed a workplan and intends to implement a business continuity management system in compliance with the 2007 British Standard (BS25999-2:2007).



Looking Forward

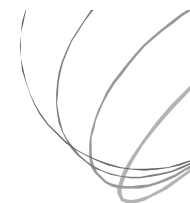
88. NHS 24 faces a number of challenges in 2008/09, which include:

- **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. NHS 24 management, working with the Scottish Government Health Directorates and other NHS Boards, will require 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 work towards establishing 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.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **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 2008/09 audit.



- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review and the impact of the introduction of International Financial Reporting Standards (IFRS). The challenge for NHS 24 is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland in response to failures in UK government bodies' procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. Following the publication of an interim report in April 2008, the Scottish Government published their final report and recommendations in June 2008. We will monitor NHS 24's response to the review and action taken as part of our 2008/09 audit.
- **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. NHS 24 will wish to respond to this important initiative as it develops.
- **National developments** – With the election of a new Scottish Government in 2007, there are a range of national developments coming into operation or being piloted, including the use of independent scrutiny arrangements for major planned service changes and the introduction of elected members on NHS Boards. NHS 24 will be required to respond to this developing agenda.

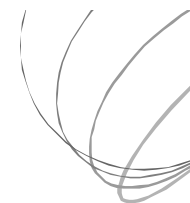
89. The Board recognises these challenges and is taking steps through its planning processes to address them. We will continue to monitor the progress that the Board is making on these key issues.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	<p>NHS 24 face a challenging year to achieve financial stability as they balance financial cost pressures with limited increases in funding.</p> <p>The achievement of efficiency savings is a critical aspect of continuing to remain within financial balance.</p>	<p>Proposed efficiency savings have been funded mainly from the roll-forward of pay budgets from prior year without uplift. This has created a cost pressure within each directorate equivalent to approximately 2.75% of pay budget.</p> <p>Each directorate has submitted proposed plans as to how they are going to manage this cost pressure. These plans were approved by the Executive team on 24th June 2008.</p> <p>Progress against these proposals will be reviewed monthly by the Executive Management Team.</p>	Robert Stewart, Director of Finance and IT	Progress subject to review 30 September
2	<p>NHS 24 should work with the SGHD to clarify issues and potential costs relating to equal pay claims.</p> <p>There is a risk that the potential liability is not disclosed appropriately in the financial statements.</p>	Fifteen Equal Pay claims have been received to date. NHS 24 is monitoring the progress of these claims. No awards have been agreed at present. A value in respect of any potential liability is currently deemed to be unquantifiable.	Jane McCartney, Director of Human Resources and Corporate Affairs	Progress subject to review 30 September
3	Changes to frontline staffing profiles are essential to support service redesign, to reduce the costs of untriaged calls and to deliver efficiency savings. There is a risk that existing difficulties in recruiting appropriate staff will continue and undermine these plans for revised staffing profiles.	Recruitment to all frontline skill sets escalated from HR risk register to corporate one. Recruitment strategies are monitored on a monthly basis by the Recruitment and Induction Steering Group. Active recruitment via media in place, opportunities for dual roles and joint working taken forward by Nurse Director	Gill Stillie, Director of Service Delivery, Eileen Burns, Director of Nursing, Jane McCartney, Director of Human Resources and Corporate Affairs	Progress subject to review 30 September
4	The Corporate Governance manual should be updated as soon as practicable and should be reviewed on a regular basis. If the manual is not kept up to date, there is a risk that that	The Corporate Governance Manual is reviewed on a regular basis with the last revision approved by the Board in	Robert Stewart, Director of Finance and	September 2008



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
	agreed procedures are not followed by staff.	January 2008. A further update will be presented to the Board in September 2008.	IT	
5	The achievement of Local Delivery Plan targets for reducing sickness absence and improving the retention of staff continued to be a challenge in 2007/08. These continue to be significant risks to NHS 24.	Following timely completion of actions agreed in the attendance Management Action Plan submitted to SGHD in December 2007 NHS 24 will review and update this plan in Quarter 2 2008/2009 to incorporate the outcomes from the Wellbeing Audit Strategy Document.	Jane McCartney, Director of Human Resources and Corporate Affairs	Progress subject to review 30 September
6	The Board should prepare for the 2008/09 NFI data matching exercise. In addition, the matches identified in the 2006/07 exercise should be concluded. There is a risk that fraud or error is occurring within the system.	NHS 24 has reduced the number of outstanding 2006/2007 NFI data matches to 19. These are currently being actively progressed. Responsibility for NFI data matching within NHS 24 now defined and incorporated within monthly work schedule to ensure efficient 2008/2009 data matching.	Robert Stewart, Director of Finance and IT	Progress subject to review 30 September
7	The security and confidentiality of information held by NHS 24 is at risk in the absence of staff awareness of the information governance and security policies and procedures adopted by the Board.	There are mandatory information governance awareness sessions in place within the organisation. (Three sessions per month in respect of current staff)	Robert Stewart, Director of Finance and IT	Progress subject to review 30 September