

NHS 24

**Report on the 2009/10 Audit to the Board and the Auditor
General for Scotland**

July 2010



 **AUDIT SCOTLAND**



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Key Messages

Introduction

In 2009/10 we looked at the key strategic and financial risks being faced by NHS 24. We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of NHS 24 for 2009/10. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance issued by Scottish Ministers.

Financial position and use of resources

The Board carried forward into 2009/10, a £79,000 surplus from 2008/09 before taking account of adjustments arising from the introduction of International Financial Reporting Standards (IFRS) and utilised this to fund non-recurring expenditure commitments. During 2009/10 the Board recorded a cumulative surplus of £19,000 relative to a Revenue Resource Limit of £63.5 million.

The financial settlement in 2010/11 provides an uplift of 2.15% which is planned to reduce in 2011/12 to 1%, or maybe less given the current economic situation. This will have a significant impact on long term financial planning and the control of costs. The challenge for NHS 24 is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. The Board's Cost Savings Plan for 2010/11 identifies the need for some £1.26 million of cash releasing savings for the Board to achieve financial breakeven in the year.

Governance and accountability

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

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

NHS 24 has continued to monitor compliance with the NHS Quality Improvement Scotland (QIS) Clinical Governance and Risk Management Standards and the report issued by NHS QIS this year noted significant improvements in performance since their previous review.



Partnership working has continued to develop in all its various aspects, including Patient Focus Partnership Involvement initiatives, local centres and co-location, and on specific projects with the Scottish Ambulance Service and territorial Health Boards.

Performance

NHS 24 has established sound processes and systems for monitoring performance against the Local Delivery Plan targets, internal standards and against the Corporate Plan. The Board achieved most of its HEAT targets and most internal standards, despite the significant pressures caused by the H1N1 flu pandemic, and work pressures from other service developments. Achievement of these targets going forward is critical to successful delivery of NHS 24 services in future.

Looking forward

The final part of our report notes some key risk areas for NHS 24. There are significant challenges around issues related to uncertainties over future funding and the difficulties of financial management in such circumstances, implementation of service developments and the need to plan for a replacement of IT and infrastructure whilst at the same time maintaining day-to-day service delivery.

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



July 2010



Introduction

1. This report summarises the findings from our 2009/10 audit of NHS 24. The scope of the audit was set out in our Audit Plan presented to the Audit Committee on 4 March 2010. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a number of letters and reports this year, and we briefly touch on the key issues we raised in this report. Where applicable, action plans set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. Best value duties apply across the public sector and, in the health service, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and this has been further developed during 2009/10 with the completion of a bank of best value toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

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





4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Throughout this report we comment on aspects of NHS 24's arrangements in this area. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS 24 during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



Financial Statements

8. In this section we summarise key outcomes from our audit of NHS 24's financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources. The Board's 2009/10 financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) for the first time.

Our responsibilities

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

Overall conclusion

11. We have given an unqualified opinion on the financial statements of NHS 24 for 2009/10.
12. As agreed, the unaudited accounts were provided to us on 4 May 2010. It was acknowledged that this would be a very challenging date to achieve but we are pleased to record that the financial statements and a full set of working papers were available for audit review at the agreed date. The good standard of the supporting papers and the timely responses from NHS 24 staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 10 June 2010 as outlined in our Annual Audit Plan.



Issues arising from the audit

13. As required by auditing standards, we reported to the Audit Committee on 10 June 2010 the main issues arising from our audit of the financial statements. We discussed the summary of unadjusted differences with the Audit Committee and we were satisfied that no adjustment was necessary for the net difference of £94,000. The key issues reported were as follows:
14. **Provisions.** The financial statements presented for audit included provisions of £370,000. Of this total, some £191,000 refers to a dilapidations provision in respect of Riverside and Norseman Houses. In 2008/09, the provision was originally calculated to represent a cumulative provision since the start of the lease period but was later amended to ensure that the required provision was built up over the remainder of the lease period. This position was accepted by external audit. However, in 2009/10, management have reverted to using the original basis on the grounds that it represents a more accurate and prudent provision. As the 2008/09 provision was re-assessed by management and accepted by Audit Scotland, we considered that changing to a different methodology was inappropriate. As a consequence, the provision and therefore expenditure had been overstated by £111,000 and was added to the summary of unadjusted differences.
15. **Asset Verification.** A major exercise was undertaken in 2008/09 to physically verify assets to the asset register at a number of locations. The review continued as a desktop exercise in 2009/10 which led to an impairment of some £748k being charged in the accounts. Due to competing priorities the programme of physical verification had not been progressed. We have been given formal assurances, in the letter of representation, that the fixed asset register is neither materially overstated nor understated.
16. **British Telecom Charging.** Management commenced a review of the completeness and accuracy of BT invoices during 2009. As a result of this exercise, refunds of some £619k offset by backdated charges and additional costs of £492k have been processed in the 2009/10 accounts. We are aware that this review will be continuing and due to the nature and value of the work we have been given formal assurance that the impact on the net operating costs has been properly stated.
17. **Equal pay claims.** As at 31 March 2010, NHS bodies in Scotland had received some 11,000 claims and these had been referred for the attention of the NHS Scotland Central Legal Office (CLO). NHS 24 currently has 15 claims outstanding. It is possible that these claims represent a current liability for NHS boards generally. As with a number of other NHS boards, an unquantified contingent liability has been included in NHS 24's accounts for equal pay. Further details on this issue are included at paragraphs 18 to 21 below.



Equal Pay Claims

18. As noted above, the National Health Service in Scotland has received in excess of 11,000 claims for equal pay and NHS 24 has currently 15 claims outstanding. These have been referred for the attention of the NHS Scotland CLO to co-ordinate the legal response to this issue.
19. Developments over the past year have slowed the progress of claims and led to a reduction in the number of claims going forward. The CLO have stated that claims still do not provide sufficient detail about the comparator jobs to allow an estimate to be made of the likelihood of the success of the claims or of any financial impact that they may have. The NHS Scotland CLO and Equal Pay Unit are monitoring the progress of claims as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.
20. Discussions have been held between Audit Scotland, their partner firms, the Scottish Government, the CLO and Board representatives to ascertain the appropriate accounting treatment of equal pay claims in 2009/10. Given the CLO's advice that, although some liability is probable, it is not possible to estimate the impact of the claims, it has been agreed that disclosure as an unquantified contingent liability remains appropriate for the 2009/10 financial statements of affected NHS Boards.
21. We continue to strongly encourage NHS 24, working with the Scottish Government Health Directorates, the CLO and other NHS boards to form a view of the potential liabilities as soon as possible taking into account the progress of cases in Scotland and England.

Risk area 1

Regularity

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

International financial reporting standards (IFRS)

23. As announced by the Chancellor in the 2008 Budget report, Government departments and other public sector bodies would report using IFRS from 2009/10. As a prerequisite to this health boards were required to prepare shadow IFRS based accounts for 2008/09 to provide comparative figures for the 2009/10 IFRS based accounts. This exercise went well and provided a solid base for compiling the 2009/10 accounts.



Use of Resources

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

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

The Board's financial position

Outturn 2009/10

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

Table 1
2009/10 Financial Targets Performance £'000s

Financial Target	Target	Actual	Variance
Revenue Resource Limit	63,496	63,477	19
Capital Resource Limit	2,508	2,427	81
Cash Requirement	63,000	62,963	37

26. The Board has recorded a cumulative surplus of £19,000 and includes non-recurrent expenditure of some £3.2 million in relation to the H1N1 response which was fully funded by the SGHD. Table 2 below shows how the surplus of £19,000 was achieved through a combination of recurring and non-recurring funding. Historically Boards have relied upon a measure of non-recurring funding to achieve financial targets. However, with the tightening financial settlement in future years, there is less scope for reliance on non-recurring income to achieve financial balance as Boards seek to rationalise their cost base.



Table 2
Funding Position 2009/10

	£ Million	£ Million
Recurring income	58.3	
Recurring expenditure	(59.5)	
Recurring savings	1.2	
Underlying recurring surplus/(deficit)		0.0
Non-recurring income	5.2	
Non-recurring expenditure	(5.2)	
Non-recurring savings	0.0	
Non-recurring surplus/(deficit)		0.0
Financial surplus/(deficit)		0.0
Underlying recurring surplus/(deficit) as a percentage of recurring income		0.0

Financial sustainability and the 2010/11 budget

27. There were tighter financial settlements for health boards in 2009/10 with a general uplift of 3.15% which was the same as 2008/09 but considerably down on the 6% in previous years. This downward trend has continued in 2010/11 as the SGHD has confirmed a general funding uplift of 2.15%. NHS 24 anticipate a further £5.3 million earmarked funding to cover amongst others, the Pandemic Flu allocation and costs associated with the Scottish Emergency Dental Service (SEDS) and the Scottish Centre for Telehealth (SCT). Current indications from SGHD is that growth will be restricted to 1%. This will have a significant impact on long term financial planning and the control of pay and non-pay costs.
28. The 2010/11 budget assumes 2.25% uplift for pay and 0.00% in respect of non-pay expenditure. Clear plans are in place to support the planned efficiency savings of £1.26 million for 2010/11. If all planned savings are achieved in 2010/11, NHS 24 will be reporting cumulative efficiency savings of some £6.2 million which will exceed their three year cumulative efficient government target by some £2.9 million. However, specific service developments and cost pressures are being financed within this plan. NHS 24 faces a challenging year to remain in financial balance and to ensure that efficiencies are achieved.

Risk area 2

29. The Three Year Financial Plan 2010/11 – 2012/13 recognises a number of risks including future funding uplifts, future pay rises and possible cost pressures relating to National Programmes and strategic development proposals that are not fully funded by SGHD or other Boards. In addition there is a need to fund technical revisions and updates for IT and telephony, and costs relating to the forthcoming expiry of two significant contracts. The public sector as a whole is facing a difficult time



ahead as emphasised in the Audit Scotland's report '*Scotland's public finances: preparing for the future*' (February 2010).

30. The 2010/11 recurring capital allocation is experiencing similar pressures. SGHD has advised that the allocation is to be reduced by 18% and as a consequence NHS 24 has reassessed their capital plans to accommodate this reduction.

People management

31. Absence management continues to be an area of focus for NHS 24 and has been subject to considerable work over the years. During 2009/10 there was a review of reporting procedures, further support for line managers was made available (coaching, training, eLearning and on-line toolkits) and an Employee Wellbeing Programme was introduced. The Local Delivery Plan (LDP) stated an internal standard for 2009/10 as sustaining an average staff attendance rate of 94% for the year and to seek to continually improve on this rate. The analysis of monthly attendance shows that this has been achieved in all months except January, and at the year-end stood at 95%.
32. Recruitment and retention remains a key issue for NHS 24. While the internal standard for 2009/10 was achieved (target stability index of at least 80%, compared to actual stability of above 87%) there remain ongoing challenges. The Operational Workforce Planning Group has been established to ensure the appropriate frontline staffing is in place and aligned to service delivery needs.
33. The 2009/10 LDP has a HEAT efficiency target to ensure that 80% of staff covered by Agenda for Change have their annual KSF development reviews completed and recorded on eKSF by March 2011. The 2009/10 target was set at 35%. However management recognised that activity was not on track to meet this and agreed, in February 2010, to a revised target of 18%. The actual performance by 31 March 2010 was 23%. The Executive Team and Staff Governance Committee are monitoring progress each month to ensure the target is met.

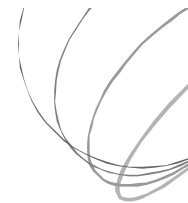
Management and use of ICT

34. We undertook the *Your Business @ Risk* survey in May 2010. This survey provides an assessment of staff awareness of, and attitude towards, data confidentiality and protection. The profile of results demonstrates a good level of information security awareness within NHS 24. However, there are a number of areas that should be addressed to continue to improve overall staff awareness of information security.
35. We have agreed with the Director of Finance and Technology that the outcomes from the survey will be communicated to staff and that risk areas identified will be addressed through the Executive Team.
36. The contracts for the two key functional applications that NHS 24 uses for their front line service delivery, including the associated supporting infrastructure, applications and telephony, are nearing their expiry date. The board has established a Strategic Front Line Applications (SFLA) programme to



consider future contractual arrangements and the need to provide for future expansion and improvement of services. Capital funding of £1 million has been earmarked in both 2010/11 and 2011/12 for this project. This programme will require careful management to ensure front line service delivery and day to day management of the organisation is maintained throughout the duration of the programme and will be a significant undertaking for NHS 24.

Risk area 3



Governance and Accountability

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

Overview of arrangements

39. This year we reviewed:
- patient safety and clinical governance
 - partnership working arrangements
 - key systems of internal control
 - internal audit
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
40. Our overall conclusion is that arrangements within NHS 24 are sound and have operated throughout 2009/10.

Patient safety and clinical governance

41. The Clinical Governance Committee is a statutory Committee established to provide the Board with assurance that appropriate clinical governance mechanisms are in place and operating effectively. The Committee met six times during the year.
42. A main focus for the Committee this year was monitoring compliance with the NHS Quality Improvement Scotland (QIS) clinical governance and risk management (CGRM) standards prior to a review visit in August 2009. NHS QIS published its final report in December 2009 and out of nine core areas assessed, eight were considered to be at the 'monitoring' level with the ninth considered to be at the 'implementation' level. NHS 24 therefore achieved their HEAT target of improving their measure of performance against QIS standards for patient safety and clinical governance from a score of five (at August 2006) to 9 out of a possible 12; this is a significant improvement on the previous assessment. NHS QIS highlighted in their report the need for NHS 24 to "clearly record and



document its decision making processes in relation to its quality improvement activity in order to demonstrate a systematic approach...". All issues arising from this report have been built into the clinical governance workplan.

43. NHS QIS also conducted a Learning Disabilities Review during the year and reported in September 2009. Their assessment was that 6 out of the 11 relevant indicators were partially developed (the other 5 indicators were substantially developed). In response NHS 24 has established a Learning Disabilities steering group to deliver the proposed 2009-2011 action plan and the need for a project manager has been identified. Collaborative work is being progressed with the Scottish Consortium for Learning Disabilities.
44. NHS 24 has recognised the need for a comprehensive Clinical Effectiveness Plan to demonstrate how clinical services are delivered, monitored and improved and a plan was approved in May 2009. However, NHS QIS noted in the recent CGRM review that there was insufficient evidence to demonstrate that the board had a planned and systematic approach to monitoring clinical effectiveness and quality improvement arrangements. NHS 24 have committed to the development of a programme and workplan during 2010/11.
45. One of the key issues faced by NHS 24 is to ensure that clinical services are consistent within the organisation and across all partners. As part of the work to address this issue, a Clinical Governance, Quality and Patient Safety programme has already been established and this will be further improved and extended using the Scottish Patient Safety Programme (SPSP). In addition, NHS 24 are currently developing and implementing a set of clinical practice standards and establishing a clinical audit programme to monitor performance against these standards. Due mainly to the impact of H1N1, this planned area of work was delayed and the intention now is to develop a rolling three year plan going forward. However, until a comprehensive process to set and monitor all necessary standards is in place, there is a risk that clinical and operational activities may not be delivered to consistent standards. In 2010/11 NHS 24 will be fully engaging with the SGHD's new Quality Strategy, and developing its own assessment and plans for the future development of services to move towards meeting the ambitions of the Quality Strategy.

Risk area 4

Partnership Working

46. Partnership working covers a number of areas, including staff (through the Partnership Forum), patients, the voluntary sector, other territorial Health Boards, the Scottish Ambulance Service (SAS) and NHSScotland national groups. Working in Partnership with the Trade Unions and Professional Bodies through all new projects, standing committees and working groups, reflects NHS 24's continuing commitment to the Staff Governance Standard. At the 2009 annual review, the Cabinet



Secretary noted the work being undertaken to develop a consistent approach to unscheduled care for patients and emphasised that patient input is a crucial aspect of service development.

47. Our audit plan identified a risk that Patient Focus, Partnership Involvement (PFPI) had not been integrated with PFPI activities in other Boards and stakeholders. We are pleased to note that a PFPI Strategy for 2009/10 – 2011/12 is now in place, together with an associated annual plan. These were developed following a national stakeholder consultation, which integrated the public's view, staff views and the patient experience in the delivery of existing and new services. We also noted that progress is being made to embed PFPI into NHS 24's key functions. Examples of this include using local community groups and NHS 24's Public Partnership Forum members to work on specific projects.
48. The development of a local presence at various locations has continued during the year in order to provide more locally sensitive healthcare delivery and provide efficient and effective services to partner Boards. These included for example:
 - completion of the co-location of NHS 24 East services with the SAS East Emergency Medical Dispatch Centre in Norseman House, South Queensferry
 - on-going work on the co-location at Inverness of NHS 24, SAS and the Highland Hub
 - the NHS Fife remote centre becoming operational during the year and the NHS Orkney centre planned to go live in June 2010; services for Shetland and Western Isles are to be considered for 2010/11.
49. Further examples of working with partners include:
 - the completion of the pilot of the NHS 24 Care Commission Partnership Working project to improve communication between care homes and NHS 24 services
 - continued close working with SAS in the delivery of unscheduled care services. A joint working group has been established to promote this with the strategic aim of having a single assessment system for patients. In addition, the application of a standard clinical triage assessment system is currently being considered
 - the Palliative Care Summary has been piloted with three Boards with NHS 24 clinical staff using the data if appropriate.
50. We consider that NHS 24 continues to make positive contributions towards the national agenda of partnership working although there continues to be a challenge for services to work together in an open manner and to identify opportunities to enhance service delivery.



Systems of internal control

51. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and to prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2009/10, the Board's internal auditors 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. Only one "priority one" recommendation was raised during the year relating to timesheet data at one contact centre and measures have been put in place to address this.
52. 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 a management letter during the year covering a number of the key systems, such as payroll, general ledger, capital accounting and information security. We reported on an exception basis a small number of risk areas, some of which had been reviewed by internal audit with similar findings. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management. 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.
53. In addition we placed formal reliance on aspects of internal audit's systems work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) to avoid duplication of effort. This work provided us with additional assurances on the adequacy of the internal control environment within NHS 24.
54. With the development of shared services in NHS Scotland, there are a number of systems where NHS 24 is dependent on another NHS board for provision of services. NHS National Services Scotland (NSS) provides Financial Services through the Shared Services Consortium, Payroll services and a range of Information Management and Technology services, to NHS 24. In accordance with Statement on Auditing Standards number 70, NSS has commissioned service auditors to provide independent assurance that key controls and processes operate satisfactorily to support defined control objectives. All opinions from service auditors were unqualified for 2009/10.

Statement on internal control

55. The Statement on Internal Control (SIC) provided by NHS 24's Accountable Officer records management's responsibility for maintaining a sound system of internal control. The SIC sets out the approach adopted by the Accountable Officer in order to obtain assurances on the contents of the SIC. The findings from both external and internal audit work are reflected together with the development of the Best Value group and how this will be progressed in 2010/11.



Internal Audit

56. 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 2009/10 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 relevant Internal Audit Standards, and therefore placed reliance on their work in a number of areas during 2009/10, as anticipated in our annual audit plan.

Prevention and detection of fraud and irregularities

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

58. Additionally, the Board's internal audit function has a formal programme of work, which, although not designed to detect fraud, does provide assurance on the operation of the control systems which are designed to prevent fraud.

NFI in Scotland

59. In 2009/10 NHS 24 took part in the National Fraud Initiative (NFI) in Scotland. The NFI in Scotland is a counter-fraud exercise led by Audit Scotland, assisted by the Audit Commission (England and Wales). It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error

60. NFI allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

61. As part of our local audit work we carried out a high level assessment of NHS 24's approach to the NFI. We are pleased to note the commitment shown by NHS 24 to the 2008/09 NFI process. Internal auditors have worked with finance staff in reviewing the data matches and regular updates were provided to the Audit Committee. 121 matches were originally identified; 114 of these cases were beneath the threshold value set by NHS 24 and were not therefore subject to further investigation,



leaving 7 cases which were investigated and closed. One of these led to a specific internal audit investigation covering associated general control issues as well as the NFI considerations.

62. Following on from discussion with External Audit, a further exercise was undertaken with a lower threshold. This identified a further 14 cases which have been reviewed and are now closed.
63. The Audit Scotland report *The National Fraud Initiative in Scotland; making an impact*, which was published on 20 May 2010 set out the results of the 2008/09 NFI exercise. It involved 74 bodies, including councils, police forces, fire and rescue services, health boards, the Scottish Public Pension Agency and the Student Award Agency for Scotland.
64. Overall, the outcome of the 2008/09 exercise was worth £21.1 million to the public purse. The report also highlights that while the NFI has been successful, much of the information used in this exercise was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.
65. The cumulative outcome of the current and previous NFI exercises in Scotland is now around £58 million and there have been at least 80 successful prosecutions since the last NFI report in 2008. Audit Scotland will begin the next NFI exercise in October. This is expected to be carried out under new powers currently before the Scottish Parliament. These will provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.
66. The national report *The National Fraud Initiative in Scotland; making an impact* includes a self-appraisal checklist. We recommend that officers involved in the NFI should use the checklist as part of their preparations for the NFI 2010/11.



Performance

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

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

Vision and strategic direction

68. NHS 24's Strategic Framework 2009/10 – 2011/12, "Delivering and Moving Forward", was approved by the Board in April 2009 following consultation with a broad range of interested parties including staff, other Health Boards, the voluntary sector and the public. It recognises that NHS 24 should focus on its core unscheduled care service whilst balancing this with a range of service developments. This has been revised to reflect key developments over 2009/10, such as information on the new services being provided, and recent feedback from stakeholders.

69. The Strategic Framework is one element of the integrated business planning cycle which encompasses the Local Delivery Plan, the Strategic Workforce and Three Year Financial Plans and NHS 24's annual Corporate Plan. The challenge for NHS 24 as it moves forward will be to ensure that its aims, objectives and targets remain meaningful and focussed.

Managing risk

70. The Risk Management Strategy has been subject to review during the year and the updated version was approved at the March 2010 Board meeting. The scope of risk management has been extended to include SEDS, Breathing Space, Information Governance and Business Continuity and a new strategic risk register has been implemented. In addition, a specific risk register was created to address pandemic flu issues. The NHS QIS review noted that NHS 24's 'risk management activity is well embedded in planning and developmental activities throughout the organisation'. Moving forward, NHS 24 have identified the need to integrate NHS partners into the NHS 24 risk management arrangements.

71. As at June 2010, the strategic and corporate risk register recorded two "extreme" organisational risks and a further five "major" risks. Action is being taken to mitigate all identified risks. The "extreme" risks relate to:



- the ability of NHS 24 to respond to a major “Rising Tide” threat such as pandemic flu where staff are incapacitated at a time when call volumes increase;
- the scope and complexity of the SFLA programme which may have a detrimental affect on the patient experience, clinical quality and operational effectiveness.

Service Development

72. Significant developments are continuing in the way NHS 24 both delivers its main services and seeks to support the national health agenda by adapting and broadening its capabilities and involvement in specific Health Board initiatives. As discussed previously, NHS 24 has now established local services with most Health Boards as a further means of improving resilience and delivering locally sensitive healthcare.
73. NHS 24 played an important role in developing the response to the H1N1 pandemic flu in partnership with the NHS in Scotland and SGHD and in providing help, advice and services to the Scottish population. This required a significant work effort in a short time frame that had to be achieved at the same time as maintaining core key services at a time of the year when there are already peak period pressures.
74. A formal Pandemic Flu Programme was set up to oversee all aspects of the NHS 24 response which included four main projects covering the National (UK) FluLine, the Scottish Flu Response Centre (SFReC), NHS 24 resourcing and NHS 24 core service resilience. SFReC implemented telephone-based triage and was involved in the process of “at risk” groups receiving face-to-face assessment and latterly supported the national vaccination programme. The SFReC service was reduced in line with the receding pandemic threat in early 2010 and ceased in April 2010.
75. During the year NHS 24 completed the roll out of the Scottish Emergency Dental Service (SEDS). The service now covers 95% of the Scottish population for whom it is the first point of contact for patients with dental issues in the out-of-hours period. Work continues to wholly integrate SEDS into NHS 24.
76. Formal responsibility for the Scottish Centre for Telehealth (SCT) was transferred to NHS 24 on 1 April 2010. Prior to this formal handover a Transition Board was established, with representation from SGHD and the Scottish Government Joint Improvement Team, to take responsibility for supporting the Centre in the intervening period. Work continues to integrate SCT with the NHS 24 structures and processes.
77. As part of the Clinical Patient Journey and Quality of Outcomes programme, NHS 24 is progressing with a redesigned service delivery model which builds on a multi-disciplinary team approach. The expansion of the call handler role through the Advise and Refer, Rapid Triage and Advise and Discharge initiatives has been established. Future developments will focus next on Allied Health Practitioners and implementing the results of the senior charge nurse review. In addition, there will be a review of non-frontline services in 2010/11. The challenge continues to be able to access appropriate staff skill sets.



78. The major development looking forward is the Strategic Frontline Applications (SFLA) programme, which is critical for the development of NHS 24's infrastructure and application support to meet future needs when the existing contracts expire. The programme is a substantial piece of work which must be properly resourced and delivered in a relatively short timescale. It is complex and must allow for integration and partnership working with other bodies and national clinical systems. NHS 24 has finalised the governance structure and established its Programme Board. The initial agreement and business case is currently being considered by the SGHD. We shall continue to review progress in this key business area.

Performance Overview

79. The LDP sets out the agreement reached with the Scottish Government on delivering the HEAT (Health improvement, Efficiency, Access and Treatment) targets. It outlines NHS 24's planned performance for the year against a core set of key HEAT targets plus additional internal targets.
80. 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 responsible for specific targets and component performance measures. Progress against the LDP is reported to the Executive Team and at each Board meeting, together with an analysis of the reasons for any targets being missed, the potential outturn position and possible mitigating actions.
81. The 2009/10 outturn shows that all HEAT targets have been achieved except for two. The efficiency target to reduce mileage rates, and the treatment target for referrals to Living Life to complete their programme, have significantly under-achieved. In addition the efficiency target for staff development reviews recorded on eKSF by March 2011 has had to be revised downwards to reflect under-performance during the year (see paragraph 36). These targets have been taken forward into the 2010/11 LDP, although the carbon emissions target has been revised and extended. In addition to HEAT targets NHS 24 sets internal standards. Six out of the 14 internal standards set for 2009/10 have not been achieved; these cover efficiency (A&E referral and transfer of stroke patients to SAS), access (to Health Information Service and telephony resilience) and treatment (two patient experience measures). This represents a slight decline in overall performance since the good results last year.

Risk area 5

Performance Management

82. NHS 24 has an established performance management framework to ensure that information is available across the organisation on a consistent basis. Each meeting of the Board is presented with standard performance reports covering service performance, HEAT targets, and financial performance and periodically with a staffing resource and capacity planning report. Specific reports are also presented on performance over high-demand periods, for example over holiday periods.



83. HEAT target reports use a traffic light system, outlining the Board's position in relation to each of the HEAT targets and internal standards, and highlight the direction of travel since the last reporting period.

Best Value

84. NHS 24 has established a Best Value group, chaired by the Director of Finance and Technology which reports to the Executive Team and the Audit Committee. The Group's aim is to ensure that national guidance is applied consistently as well as assessing use of resources through identification of efficiency savings and cost review exercises. A workplan has been established which includes the investigation of potential future efficiencies and monitoring the success of savings plans to date in order to inform future plans. The group has used CIPFA benchmarking services and is currently considering the results for inclusion within the workplan.

Improving public sector efficiency

85. The Audit Scotland report *Improving public sector efficiency* was published in February 2010. It provided a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
86. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
87. The report recommended that to deal with reduced future funding and increased savings, public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.
88. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements.
89. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis



for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.

National Studies

90. Audit Scotland's Public Reporting Group undertakes a programme of national studies each year in consultation with key stakeholders. The findings and key messages of these studies are published in national reports which are publicised and widely distributed. In addition they are also available on Audit Scotland's website.

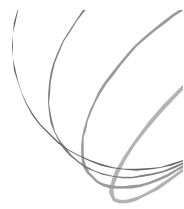
91. At the local level it has been agreed that reports will be considered by the Executive Team and will be presented to the Audit Committee for information only, unless there are specific issues of relevance to NHS 24. Appendix B identifies the reports issued by Audit Scotland since May 2009 and considered by NHS 24.



Looking Forward

92. NHS 24 faces a number of challenges in 2010/11, which include:

- **Financial management and affordability** – The financial settlement in 2010/11 provides an uplift of 2.15% which is likely to reduce in 2011/12 given the current economic situation. The recent UK Government budget in June 2010 referred to a 25% reduction in public sector spending over the next four years, the details of which will become more apparent with the publication of the Autumn Spending Review. This will have a significant impact on long term financial planning.
- **Efficiency, future funding and economic developments** – Budgets for 2010/11 and the immediate future will need to be managed within a tighter funding regime. The challenge for NHS 24 is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives. This will be even more challenging in the context of the current economic downturn which may impact on a number of elements of the Board's operations including both its resources and the demand for its services
- **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 15 claims on this matter. Significant ongoing uncertainties have been identified by the CLO resulting in an unquantified contingent liability disclosure in 2009/10. NHS 24 management, working with the Scottish Government Health Directorates and other NHS Boards, will have to form a view of the potential liabilities as soon as practicable, taking into account the progress of cases in Scotland and in England.
- **VAT increase** – The Chancellor's budget in June included an increase in VAT from 17.5% to 20% from January 2011. It has been reported that the VAT increase will increase the cost of supplies across the NHS in Scotland by some £26 million and NHS 24 will bear a proportion of the increase. This increase in VAT poses a risk to the Board's financial position
- **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. The integration of SEDS and SCT into the normal working practices of NHS 24 will be a challenge. NHS 24 is looking to complete the establishment of local services 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. The challenge for NHS 24 is to maintain this momentum in times of financial stringency and to access appropriate staff skill sets.



- **H1N1** – any recurrence of H1N1 will require immediate action by the organisation. The challenge will be to ensure that SFReC is in a state of readiness for future use, and that management can respond appropriately to suit the emerging circumstances
 - **Best Value** – The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. NHS 24 should continue to respond to this important initiative as it develops.
 - **SFLA Programme** – Major parts of NHS 24's ICT and infrastructure is supported by external commercial partners. The three main contracts will come to an end by mid-2012 (Patient Records Management, Knowledge Management System, and Voice and IT Infrastructure [provision and support]). The Board is taking forward this programme of work through the SFLA programme board and it is essential that it is managed and implemented to ensure no disruption to essential services.
93. 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.
94. At a time of financial restraint the Board may wish to consider the unique public service which NHS 24 provides and whether the time is opportune to consider whether there is potential for partnership working outwith the NHS, for example, for call-handling out of hours social work enquiries in partnership with local government bodies.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	NHS 24, as with other Boards, has not been able to quantify the extent of its liability for Equal Pay claims. There is a risk that these liabilities may have an impact on the Board's financial position in due course.	NHS 24 will be guided by SGHD and the CLO on the appropriate treatment of the Equal Pay claims. From the work completed to date, the impact on NHS 24 is unlikely to be significant.	Jane McCartney	31 st March 2011
2	NHS 24 face a challenging year to remain in financial balance and to ensure efficiencies are achieved, given the forthcoming service developments and the cost pressures that need to be financed from efficiency savings.	NHS 24 recognises the challenge and continues to be vigilant on its financial position. The financial position is reported to the Exec Management Team on a monthly basis, and to each meeting of the Board and the Audit Committee. A Board workshop will take place in the autumn which will consider scenario planning and consider funding analyses.	Robert Stewart	Ongoing on a monthly basis to 31 st March 2011
3	The SFLA programme will require careful management to ensure that vital IT services are procured effectively. In addition, frontline delivery and day-to-day management of the organisation will need to be maintained during the changeover period.	A robust governance structure has been put in place which includes a Programme Board with non Executive input. This meets monthly and reports to the Executive Management Team. Quarterly updates, either in the form of a paper or a workshop, are taken to the NHS 24 Board. Within the SFLA team there is a Technical Assurance Group and a Clinical Assurance Group which ensure that these areas are appropriately considered. A team of professional advisors, providing skills in key disciplines, also form part of the project team.	Robert Stewart	Ongoing until March 2012
4	Without establishing a comprehensive process to set and monitor appropriate clinical practice standards, there is a risk that clinical and operational activities may not be delivered to consistent standards.	Robust processes are in place to monitor standards. Clinical Practice Standards are used to assess and monitor the quality of care that a patient receives throughout the NHS, ensuring that each patient receives a high quality episode of care, tailored to their individual needs. The NHS 24 Quality Programme comprises 4 programmes of work, in particular the Clinical Effectiveness Programme. Organisational monitoring of compliance with Clinical Practice Standards is undertaken by the National Clinical Effectiveness Group along with a review of the on-going fitness for purpose of these standards at scheduled intervals. The results are reported to the National Clinical	Eunice Muir	First level reporting to be presented to the Clinical Governance Committee in December 2010.



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
		Governance Group which then provides the Clinical Governance Committee with the assurance that these standards are being monitored and complied with.		
5	The achievement of Local Delivery Plan HEAT targets and internal standards has proved demanding this year. There has been a slight decline in overall performance this year. NHS 24 faces further challenges in the future which may impact on its ability to deliver all commitments.	The Executive Team will continue to monitor and review HEAT targets throughout the reporting year to ensure that targets are met. This is reviewed by the Board on a quarterly basis.	John Turner	31 st March 2011



Appendix B: Audit Scotland National Studies considered by NHS 24

Report Title	Audit Committee Meeting
Drug and Alcohol Services in Scotland	June 2009
Overview of Mental Health Services in Scotland	June 2009
Managing the use of medicines in hospitals-follow up review	June 2009
Improving Public Sector Purchasing	September 2009
Scotland's Public Finances-preparing for the future	December 2009
Overview of the NHS in Scotland's Performance 2008/09	March 2010
Improving Public Sector Efficiency	June 2010
Review of Orthopaedic Services	June 2010
Managing NHS Waiting Lists	June 2010