

NHS 24

Annual report on the 2010/11 audit



Prepared for NHS 24 and the Auditor General for Scotland
July 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds

Contents

Key messages	2
2010/11	2
Outlook.....	3
Introduction	4
Financial statements	5
Audit opinion	5
Accounting issues	5
Outlook.....	7
Financial position	8
The board's financial position as at 31 March 2011	8
Outlook.....	9
Governance and accountability	11
Corporate governance.....	11
Standards of conduct and arrangements for the prevention / detection of corruption.....	17
Outlook.....	17
Best value, use of resources and performance	19
Management arrangements	19
Overview of performance in 2010/11	23
National performance reports	23
Outlook.....	24
Appendix A: audit reports	25
Appendix B: action plan	26

Key messages

2010/11

In 2010/11 we assessed 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 audit opinion on the financial statements of NHS 24 for 2010/11. 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 achieved all of its financial targets in 2010/11 and returned a saving of £1.074 million against its total Revenue Resource Limit. Recurring efficiency savings of £1.227 million were achieved during the year which was slightly lower than target (£1.262 million). However a further £2.35 million non-recurring savings were made mainly as a result of staff vacancies.

Performance and best value

NHS 24 has established sound processes and systems for monitoring performance against the Local Delivery Plan targets and internal standards and against the Corporate Plan. In 2010/11 NHS 24 has met or exceeded a number of challenging performance targets agreed with the Scottish Government Health Directorates (SGHD) and, for a number of areas, this represents continuous improvement over several years. For those few targets not achieved, actions are being implemented to improve performance. Continuing achievement of these targets going forward is critical to successful delivery of NHS 24 services in future.

NHS 24 is committed to a process of continuous development and improvement. An operational best value working group is being augmented by a strategic group, led by the Chief Executive which should ensure that best value becomes further embedded throughout the organisation.

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. 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.

Service development

The renewal of the Strategic Frontline Application (SFLA) is the most service-critical project to be undertaken by the organisation for several years. Work is progressing and invitations to tender for the two elements are to be issued in July and September 2011. There are, however, a number of risks which require to be carefully managed including staff resource input into the new contract, financing of the selected option, timing and staff training.

There are a number of other service developments being explored including a service redesign programme to review the frontline operating model, the single triage tool with the Scottish Ambulance Service (SAS), and the expansion of the telehealth and telecare agenda.

Workforce planning

NHS 24 have regular workforce planning meetings to ensure that workforce numbers remain within budget and that numbers and skillsets meet the needs of service delivery in supporting performance targets and key performance indicators. The non-frontline services review identified the potential to release a number of whole time equivalent (WTE) posts over the next two to three years. During 2010/11, progress has been made in implementing the findings of the review; a redeployment process and a voluntary redundancy programme has been established; nine voluntary redundancy packages were agreed in the year. A full review of frontline services is to be undertaken during 2011/12 and this review, together with the revised SFLA model, will inform a re-designed service.

Outlook

The position going forward is becoming even more challenging than previous years with limited increases in funding, increasing cost pressures and challenging savings targets. For 2011/12 NHS 24 is planning to achieve savings of £2.01 million, which is the fourth year in succession that the organisation has been required to make savings. The challenge for NHS 24 is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.

NHS 24 should continue to progress working with partners both within the NHS in Scotland and outwith the NHS, for example, by exploring the potential to extend its well developed partnership working in call-handling services with local government bodies.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of NHS 24. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of NHS 24.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that NHS 24 understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the Board and the Auditor General for Scotland and should form a key part of discussions with the Audit Committee, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public as audit is an essential element of accountability and public reporting.
5. This report will be published on our website after consideration by the Board. The information in this report may be used for the Auditor General's annual overview of the NHS in Scotland's performance later this year. The overview report is published and presented to the Public Audit Committee of the Scottish Parliament.
6. The management of the Board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the Directors' Report, statement on internal control and the remuneration report. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion on the financial statements of NHS 24 for 2010/11. The financial statements give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. NHS 24 is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.
12. We have also reviewed the Board's statement on internal control and concluded that it complies with Scottish Government guidance.

Regularity

13. 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 this regularity assertion through a range of procedures, including written assurances from the Accountable Officer. No significant issues were identified for disclosure.

Accounting issues

14. As agreed, the unaudited accounts were provided to us on 3 May 2011 supported by a comprehensive working papers package. 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 proposed opinion to the Audit Committee on 16 June 2011 as outlined in our Annual Audit Plan.

15. As required by auditing standards we reported to the Audit Committee on 16 June 2011 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 £102,000. The main points discussed are noted below.

Provisions

16. The financial statements presented for audit included provisions of £471,000. Of this total, some £216,000 refers to a dilapidations provision in respect of Riverside and Norseman Houses. In 2008/09, the method to calculate the provision was changed and we agreed to that revised methodology. However, in 2009/10, management reverted to their original calculation, accelerating recognition of the provision on the basis that it represented a more accurate and prudent provision. We disagreed with this further change to the methodology and highlighted this in our 2009/10 report. In 2010/11, management has continued with the same methodology used in 2009/10. The provision, and therefore expenditure, is in our opinion overstated by £97,000 which was taken to the summary of unadjusted differences. The figure of overstatement will diminish in future years, over the life of the rental period.

Asset verification

17. NHS 24 acknowledged the need to conduct a detailed verification exercise between the Fixed Asset Register and actual assets. A major exercise has been undertaken from 2008/09 through to 2010/11 to verify the assets recorded in the Fixed Asset Register through physical inspection or desktop review. This exercise was completed during 2010/11 and has resulted in an impairment of £288,000 in the 2010/11 financial statements. This three year exercise has resulted in a total impairment charge to net operating costs of £1,101,000 which has been fully funded by the SGHD (as annually managed expenditure). We are pleased to note the completion of this exercise and we have received assurances in the letter of representation that the financial statements reflect the assets owned and utilised by the Board.

Scottish Centre for Telehealth (SCT)

18. The SCT transferred to NHS 24 from NHS Grampian in April 2010. Some £1.6 million has been spent on this service during the year and includes approximately £700,000 on equipment which is utilised by the host boards and which has been treated as revenue expenditure. However, the majority of the expenditure on equipment relates to items which we consider would better fit the definition of capital expenditure (for example, video-conferencing equipment). Management has advised that NHS 24 does not retain title to the goods, the host boards utilise the goods, revenue funding is provided by the SGHD, and that NHS 24 are continuing the accounting treatment first started by NHS Grampian.

19. We remain concerned that the omission of these assets from any Fixed Asset Register could mean that no-one undertakes any stewardship responsibilities for these NHS assets. As expenditure in this area will continue to increase in line with the future programme, we have requested the Director of Finance and Technology to clarify the accounting treatment.

Risk Area 1

Exit packages

20. Note 32 of the financial statements refers to nine voluntary redundancy packages agreed, and one compromise agreement reached, during 2010/11 at a total cost of £434,000. The voluntary redundancies arose as a direct result of the review of non-frontline staffing. All redundancies were voluntary and followed the national terms and conditions. Formal agreement was reached in all nine instances prior to the year end and, in two instances, payment was made prior to the year end with the remainder accrued. The payback period, as a consequence of these redundancies, was assessed at 0.84 years which was within the criterion set by NHS 24. The compromise agreement was unrelated to the review of non-frontline staffing.

Equal pay claims

21. NHS Trusts in England have settled equal pay claims for employees in traditionally female roles and similar claims have now been received by health boards in Scotland. NHS bodies are required to evaluate the financial impact of any potential equal pay claims and make appropriate disclosure. By the end of March 2011, there were 4 cases registered against NHS 24. In consultation with the SGHD and the Central Legal Office (CLO) of the NHS in Scotland, NHS 24 has advised that the figure cannot be readily calculated in respect of these contingent liabilities. As with other NHS boards, an unquantified contingent liability has been included in NHS 24's accounts for equal pay.
22. We continue to encourage NHS 24, working with the SGHD, 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 2

Outlook

Audit appointment for 2011/12

23. Audit appointments are made by the Auditor General, either to Audit Scotland or to private firms of accountants for a five year term. 2010/11 is the final year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for NHS 24 will be Scott Moncrieff. We will work closely with the in-coming audit team to ensure a smooth handover.

Financial position

24. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
25. Auditors consider whether audited bodies have established adequate arrangements and examine:
- financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
26. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

The board's financial position as at 31 March 2011

27. NHS 24 is required to work within the resource limits and cash requirement set by the SGHD. In 2010/11, the SGHD required NHS boards to differentiate between core and non-core expenditure for both revenue and capital.
28. NHS 24 achieved all of its financial targets in 2010/11 as outlined in Table 1 below.

Table 1 - 2010/11 Financial Targets Performance £'000s

Financial Target	Target	Actual	Variance	%
Revenue Resource Limit				
Core	60,909	59,835	1,074	1.8%
Non Core	2,846	2,846	0	
Capital Resource Limit				
Core	1,010	1,010	0	
Non Core	0	0	0	
Cash position				
Cash requirement	61,700	61,616	84	1.4

29. The Board has achieved a cumulative surplus of £1.074 million. The underspend occurred mainly as a result of managed staff vacancies and agreement has been reached with the SGHD to carry forward the surplus into 2011/12 as a contribution towards the SFLA project costs. Recurring efficiency savings of £1.227 million were achieved during the year which was

slightly lower than target (£1.262 million). However a further £2.35 million non-recurring savings were made mainly as a result of the staff vacancies noted previously.

30. Capital expenditure reduced from £2.4 million in 2009/10 to £1.01 million in 2010/11 which reflects the continuing pressures on funding generally within the public sector. The major items of expenditure related to IT investments. The Capital Resource Limit tends to be revised at the year end by the SGHD to reflect actual expenditure, which accounts for the nil variance.

Financial sustainability and the 2011/12 budget

31. Uplifts in financial settlements have been reducing in recent years. In 2009/10 there was a general uplift of 3.15%; in 2010/11 the corresponding figure was 2.15% while the funding uplift for 2011/12 is 1%. An additional £5.5m is anticipated as earmarked allocations which includes the carry forward of the 2010/11 underspend. Given the current economic conditions and the impact of national spending priorities, there is a risk that funding uplifts will continue to reduce in future years. This will have a significant impact on long term financial planning and the control of pay and non-pay costs
32. NHS 24 plans to break even in 2011/12 although it is facing significant cost pressures. The 2011/12 budget assumes 1% uplift for pay and 0% in respect of non-pay expenditure. Clear plans are in place to support the planned efficiency savings of £2.01 million for 2011/12. 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 3

Outlook

Financial forecasts beyond 2011/12

33. NHS 24's five year financial plan (2011/12 - 2015/16) provides indicative figures for the level of cost savings needed in future years; recurrent savings of £1.8 million (i.e. 3%) are required in order to achieve financial balance each year. The majority of the cost savings in each year are expected to be generated from recurring sources. This level of savings will be extremely challenging because many of the readily achievable savings initiatives will have already been identified. Over the 3 year period 2008/9 - 2010/11, NHS 24 has achieved cumulative efficiency savings of £8.524 million which is some £2.315 million above the initial target set.
34. Furthermore the financial plan assumes that future funding uplifts will be of the order of 1%. This, combined with growing cost pressures, will make the delivery of cost savings even more important.

Risk Area 3

35. Following the advice of the Scottish Government, Note 24: Pension Costs reflects a net liability of £370 million for the NHS Superannuation Scheme arising from the most recent

actuarial valuation. Note 1 of the accounts, Accounting Policies, states that the most recent actuarial valuation was for the year 31 March 2004. Given that the Scheme ought to be subject to a full actuarial valuation every five years, we would have expected a more up to date valuation to have been reflected in the 2010/11 accounts. Furthermore, the periodic actuarial valuation is key to determining the adequacy of employer and employee contributions to the Scheme.

36. In common with all health boards in Scotland, the net liability figure for the Scheme, as disclosed in Note 24 is out of date. There is a risk that, as the level of contributions from employers and employees have not been recently reviewed there is uncertainty as to their adequacy to meet the future commitments of the Scheme.

Risk Area 4

Governance and accountability

37. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
38. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
39. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
40. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

41. The corporate governance framework within NHS 24 is centred on the Board which is supported by a number of standing committees that are accountable to it:
 - Audit
 - Clinical governance
 - Staff Governance
 - Remuneration
 - eHealth
 - Equality, diversity and involvement of patients and the public (EQIPP)
42. The following paragraphs provide a brief comment on the standing committees:
 - The Audit Committee's purpose is to provide assurances to the Board that appropriate audit and risk governance structures are in place and that NHS 24's activities comply with the regularity framework applicable to the NHS. In particular, the Committee seeks to ensure that an appropriate system of internal control has been in place throughout the year.

- The Clinical Governance Committee provides assurance to the Board that appropriate clinical governance mechanisms are in place and are effective. It seeks to ensure that the principles and standards of clinical governance are applied to the health improvement and health protection activities of the Board and that there is effective engagement with patient representatives and staff.
- The Staff Governance Committee provides assurance that NHS 24 meets its staff governance obligations under the National Health Service Reform (Scotland) Act 2004 and the Staff Governance Standard.
- The Remuneration Committee reviews and approves annually the performance objectives and performance against these objectives for each Executive Board Director and Executive Director.
- The eHealth Committee provides assurance to the Board on the effective governance of NHS 24's technology and eHealth activities, providing oversight of the application of best practice and the achievement of best value in the development, procurement and operation of NHS 24's technology systems.
- The EQIPP Committee provides assurance to the Board that the organisation is able to address issues of diversity and equality, human rights and the governance requirements of Patient Focus Public Involvement. It seeks to ensure that NHS 24's service meets the needs of diverse communities and is responsive to their views.

Patient safety and clinical governance

43. A key focus for the Clinical Governance Committee this year was monitoring NHS 24's implementation of the Healthcare Quality Strategy for the NHS in Scotland. Four programmes of work are being progressed and reported on as part of this; Patient Safety Programme, Patient Experience, Clinical Effectiveness and Research & Development. There has been satisfactory progress in these areas during the year and future workplans have been developed.
44. The Clinical Effectiveness Programme has been progressed. The Clinical Practice Standards continue to be developed; three standards are now in place - call review; clinical supervision; and performance management. The next standard being developed is call review assessment, which is currently at the pilot stage. A Clinical Audit Operational Plan was approved by the Committee during the year and progress against this is being monitored. To date, four planned audits have been completed and reported and action plans are being progressed. Several improvements to processes have been implemented following on from these reviews.
45. SGHD has introduced the Scottish Patient Safety Programme (SPSP) with the aim of reducing the harm patients may experience in their journey through the healthcare environment. NHS 24 is initially focusing on the leadership workstream within this, by use of a programme of patient safety leadership walkarounds which going forward will include non-executive directors. This allows senior management the opportunity to have a structured conversation with staff around relevant themes and increases awareness of safety issues. Themes

identified so far from this work include mental health, call streaming and third party processes and actions will be taken forward through the appropriate governance groups identified.

46. Child Protection guidance and practice has been further developed in response to the National Guidance for Child Protection in Scotland; NHS 24 has reviewed its activities for compliance with this guidance and staff are being given additional training, support and supervision in order to cope with the complexities of this work.

Partnership Working

47. Partnership working covers a number of areas, including staff (through the Partnership Forum), patients, the voluntary sector, local authorities, territorial health boards, the Scottish Ambulance Service (SAS) and the NHS in Scotland national groups. NHS 24 is actively involved in building effective working practices with all these partners through various structures. At the 2010 Annual Review, the Cabinet Secretary emphasised that the patient journey from the initial contact through to provision of care requires NHS 24 and territorial boards to continue to work together in partnership. Delivery of an effective out-of-hours service requires full and effective integration, collaboration and partnership. NHS 24 were given an action point to continue working with SAS and other NHS partners in developing a common integrated triage system and clinical pathways in unscheduled care.
48. NHS 24 completed the NHS in Scotland Participation Standard self-assessment this year, in consultation with its Public Partnership Forum (PPF). The Scottish Health Council (SHC) agreed that all three standards (patient focus, public involvement, corporate governance) are at the "evaluation" level (the third level out of four, the top fourth level being "improvement"). Work is progressing to embed the Standard in NHS 24's organisational infrastructure and raise awareness amongst key staff; training has been given to selected staff.
49. NHS 24 recognises that the nature of its service delivery introduces specific issues in engaging and working with patients and the public in general. The Annual Review 2010 recorded the positive views of Public Partnership Forum (PPF) members on NHS 24's work in this area. Progress is being made to ensure that PPF is mainstreamed in all major activities by making patient involvement a standard part of the development of all projects; specifically both the SFLA and Interactive Voice Response projects which are being developed in partnership with patients/public. In 2011/12, NHS 24 intends to use feedback from Community Health Partnerships and PPF's on service users' experiences in order to inform the development of the service.
50. The development of an NHS 24 local presence at various locations has continued during the year. For example:
 - remote centres in the NHS Shetland and NHS Orkney areas were established in 2010/11 with NHS Western Isles due to go live in early 2011/12
 - staff working in the NHS 24 service in NHS Dumfries & Galloway and NHS Lanarkshire local centres have transferred to the employment of NHS 24.
51. Further examples of working with partners include:

- continued close working with SAS in the delivery of unscheduled care services. A joint working group has been established with the strategic aim of having a single assessment system for patients. Work is underway to develop a single common triage tool (SCTT); and the end result will be incorporated into NHS 24's SFLA programme
 - working with territorial boards to scope out additional services that NHS 24 can offer to support local health services. For example, a service to support the reduction in outpatient "did not attend" rates is to be piloted with selected boards in 2011/12
 - the "Taking Measures" service, providing brief interventions for alcohol, has been piloted in two health board areas. The results from this are informing NHS 24's work with SGHD to review and reshape this service.
52. There continues to be opportunities for partnership working across the public sector. NHS 24 should continue to explore the potential for extending its well developed partnership working into, for example, local government contact centres.
53. 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 to identify opportunities to enhance service delivery.

Internal control

54. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
55. 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 2010/11 PricewaterhouseCoopers LLP, NHS 24's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, there were no significant weaknesses that required specific disclosure in the Statement on Internal Control.
56. As part of our audit we reviewed the high level controls in a number of NHS 24 systems that impact on the financial statements. This audit work covered a number of areas including trade receivables, procurement, general ledger, payroll and capital accounting. Our overall conclusion was that NHS 24 had adequate systems of internal control in place in 2010/11. We identified some areas where controls could be strengthened and agreed an action plan of improvements with management.

Internal Audit

57. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit). We carried out a review of the new internal auditors, PricewaterhouseCoopers LLP, and concluded that the internal audit service operates in

accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place. We have, therefore, placed reliance on aspects of their work in a number of areas. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Statement on internal control

58. The Statement on Internal Control (SIC) provided by the NHS 24 Accountable Officer reflected the main findings from both external and internal audit work. This SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.
59. The SIC also drew attention to findings from an external review by the Information Commissioner's Office, and the NSS Procurement Capability Assessment.
60. As part of our review of the process in place within NHS 24 to support the production of the SIC, we recommended to management that a more comprehensive assurance statement from directors would provide greater assurance to the Chief Executive. Currently executive directors agree to the comments already included within the draft statement of internal control without individual comment.

Risk Area 5

Review of staff earning over £100,000 per annum

61. The Cabinet Secretary had asked NHS boards for assurance that earnings paid to those staff earning over £100,000 complied with relevant policies and guidance. Auditors were also requested to sample check earnings over £100,000 to give additional assurance on the validity of the figures. We did not identify any matters that in principle indicated that NHS 24 had been in breach of relevant national policies and guidance relating to pay matters, other than confirming two issues relating to the interpretation of guidance already identified by NHS 24's review and which are being considered further by NHS 24. We reported our findings to the Chairman of the Board on 29 March 2011 to enable him to reply to the Cabinet Secretary by the required date of 31 March 2011.

Information management

62. The Strategic Frontline Application Programme (SFLA) relates to the re-procurement of NHS 24's IT infrastructure and primary frontline application software contracts. These applications together with the associated infrastructure are critical to the delivery of frontline services and the current contracts are due to expire in early 2012. Management recognises that the SFLA will be the biggest operational change to the organisation since the introduction of the Patient Records Management system in 2007. Work is progressing and invitations to tender are to be issued in July and September 2011.
63. The SFLA programme has been included within the Board's Strategic Risk Register as a significant risk. To mitigate the risk, a programme board has been established to oversee governance arrangements, the eHealth Committee and Board regularly review progress and a

detailed risk register is monitored monthly. We note that management maintains a close focus on the SFLA, in particular on the timescale and the resource constraints.

64. There are clear risks to NHS 24. In particular:

- the Board may not be able to implement the SFLA before the current contracts expire. Implementation outwith this timescale may impact on cost and staff resource
- the availability of expertise and knowledge will continue to be a risk to the SFLA. The procurement process will continue to require considerable resource from NHS 24, both in terms of management and frontline staff, to ensure that the optimal solutions are selected.

Risk Area 6

65. During the year, NHS 24 invited the Information Commissioner's Office (ICO) to assess information governance in the organisation in a Data Protection audit in order to receive expertise and advice from the ICO. NHS 24's own preliminary assessment was that there were weaknesses with corporate records and information security and noted that there was a lack of resource dedicated to information governance and a lack of attention to progress implementation of standards. ICO's view was that there was only limited assurance that adequate processes and procedures are in place, and being adhered to, for information security, staff training and awareness, and identification and reporting of information security breaches. NHS 24 has developed a Management Action Plan in response and the management team are receiving monthly updates. Internal Audit has recently completed a review of the implementation of the 27 ICO recommendations and concluded that a significant amount of work remains, with 21 either not implemented or only partially implemented.

Risk Area 7

Prevention and detection of fraud and irregularities

66. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
67. NHS 24 has a comprehensive range of measures in place to prevent and detect fraud including Standing Financial Instructions, a Code of Conduct for staff and policies covering 'whistleblowing' and fraud. The Board has also entered into a formal partnership agreement with the NHS in Scotland Counter Fraud Services (CFS).
68. NHS 24'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

69. In 2010/11 NHS 24 took part in the National Fraud Initiative (NFI). This is a counter-fraud exercise that 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.

70. 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.
71. As part of our local audit work we monitor the organisation's approach to the NFI. The Board is proactive in preventing and detecting fraud including participation in the NFI. The Board's finance staff and internal audit systematically review NFI data matches to identify areas for further investigation. In addition, the Audit Committee receives regular reports on anti-fraud activities including updates on NFI.
72. Of the 140 matches identified ten cases are currently the subject of further investigation and, so far, one employee has resigned and is being reported to CFS. We are pleased to note that NHS 24 has applied a lower threshold than the standard advised.
73. The Audit Scotland report, *The National Fraud Initiative in Scotland; Making an Impact* (May 2010), highlighted that much of the information used in the last NFI round 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.
74. The current NFI round is being carried out under new powers approved by the Scottish Parliament in terms of the Public Finance and Accountability (Scotland) Act (as amended) and which came into force from 20 December 2010. These 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.

Standards of conduct and arrangements for the prevention / detection of corruption

75. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in NHS 24 are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

76. NHS 24 faces some external challenges as the demands on the Board's services increase and the organisation continues to adapt in order to support the evolutionary nature of the National Health Service in Scotland. Examples include the need for NHS 24 to support new models of care made possible through Telehealth technology and closer integration with the overall Scottish Health Service.

77. The SFLA programme will require to be carefully managed in terms of timing, staff and financial resources and staff training on any new model adopted.

Best value, use of resources and performance

78. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value.
79. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
80. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
81. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of best value toolkits to facilitate reviews in these areas.
82. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
83. This section includes a commentary on the best value / performance management arrangements within NHS 24. We also note any headline performance outcomes / measures used by NHS 24 and any comment on any relevant national reports and the Board's response to these.

Management arrangements

Best value

84. In March 2011, the Scottish Government issued new guidance for accountable officers on best value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
85. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

86. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
 - effective partnership
 - governance and accountability
 - use of resources
 - performance management
 - equality (cross-cutting)
 - sustainability (cross-cutting).
87. NHS 24 is committed to best value and has established both an operational and strategic best value group. The strategic group, set up in June 2011, is chaired by the Chief Executive and should assist best value to become embedded throughout the organisation. The Board also has arrangements in place to develop systems in response to relevant reviews and developments, including consideration of Audit Scotland national reports.
88. The Board is also subject to an annual review process by the SGHD, again with plans developed to address any issues raised.

Performance management

89. 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 staffing resource and capacity planning reports. Specific reports are also presented on performance over high-demand periods (winter, the festive period and Easter).
90. HEAT target reporting use a traffic light system which outlines the Board's position in relation to each of the HEAT targets and internal standards, and highlights the direction of travel since the last reporting period.

Service Developments

91. 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 territorial health board initiatives. As discussed previously, NHS 24 has now established a local service presence within every health board area as a further means of improving resilience and delivering local healthcare.
92. There are a number of inter-active websites managed by NHS 24:
- NHS Inform web and telephony service was launched during 2010. At the Annual Review 2010 the Cabinet Secretary said she wanted the site to develop further and that it should support the reduction in the amount of duplication across national and local health organisations.

- Care Information Scotland (CIS), a web and telephony information service about community care for older people, continues to operate; the Annual Review 2010 noted that feedback on the service has been positive.
 - The NHS 24 website (www.nhs24.com) continues to be available but further developments are on hold while the future direction is considered.
93. Further development work is also taking place on digital TV, social media and application software.
94. Formal responsibility for the Scottish Centre for Telehealth (SCT) was transferred to NHS 24 on 1 April 2010 from NHS Grampian. NHS 24 was charged with the development of a strategic framework for the development of telehealth services across Scotland. Four key national programmes were identified where telehealth could benefit patients. In addition, supporting programmes covering infrastructure and education and training were identified as necessary to support the successful mainstreaming of telehealth. As SGHD's request, NHS 24 has also taken on responsibility for the National Telecare Development Programme from 1 April 2011.
95. Clinical outcomes which are dependent on subsequent actions by partners are outwith NHS 24's control. As a consequence, NHS 24 maintains close formal contacts with partner boards and all feedback from partner boards are monitored and reviewed on an ongoing basis. NHS 24 has representation on national groups, for example, the national Out Of Hours (OOH) Strategy Group. A project on OOH access patterns is to be developed to review the patient journey.
96. During the year NHS 24 completed the roll-out of the Scottish Emergency Dental Service (SEDS). The service now covers almost the whole of Scotland and is the first point of contact for patients with dental issues in the OOH period. Work continues to wholly integrate SEDS into NHS 24.
97. As noted earlier, the major development looking forward is the SFLA programme. The project is on schedule; SGHD has approved the initial agreement and outline business case and Invitations to Tender will be issued shortly.

People Management

98. Audit Scotland has developed a range of audit toolkits to cover best value principles. These are being developed for use by auditors although they are also available to public bodies themselves for reference. In 2010/11, continuing our focus on the use of resources, we completed the best value toolkit on People Management. This exercise was part of our developing approach to the audit of best value which involves the cumulative development of a picture of NHS Bodies' best value activities over a period of time, setting it in the context of identified best practice.
99. The People Management toolkit assessed a number of specific areas: policies and structures supporting effective people management; integration of workforce planning with strategic and financial planning processes; managing and developing the performance of staff, and

communication and involvement of staff. In NHS 24, these were judged to operate to better practice standard with one area of advanced practice; the area of advanced practice was in relation to how well NHS 24's policies and procedures support effective people management practice. Other areas of good practice include the Employee Experience programme, the evaluation and open reporting of key change programmes, the development of staff policies in partnership and the learning management system. There is scope for improvement in monitoring the impact of investments in training and development and in developing a consistent approach to talent management. We concluded that these results demonstrate NHS 24's commitment to best value and continuous improvement.

100. During 2010, NHS 24 completed a review of non-frontline services, with the aim of ensuring fitness for purpose and reducing the level of non-frontline resource whilst at least maintaining service quality levels. It identified the potential to release 57.5 WTE posts. A Programme Board has been established to oversee implementation and a redeployment policy and process has been agreed and a voluntary redundancy / early retirement process put in place; nine voluntary redundancy service packages were agreed by 31 March 2011. A review of frontline staffing and the frontline model of service delivery will be undertaken during 2011/12 with a view to redesign.
101. Attendance management has been the focus of considerable work over the years. During 2010/11 there was a continuing emphasis on coaching, training and the development of line managers and the Enhancing Wellbeing workstream of the Employee Experience Programme was used in support of attendance management. The Local Delivery Plan (LDP) stated an internal standard for 2010/11 as sustaining an average staff attendance rate of 94.5% for the year. This has been achieved with an average rate in each quarter of 95%. The 2010 Annual Review noted the excellent progress that has been made and tasked NHS 24 with ensuring continued focus on sustaining these attendance levels.
102. The 2010/11 LDP has a HEAT efficiency target (E10) to ensure that 80% of staff covered by Agenda for Change have their annual Knowledge & Skills Framework (KSF) development reviews completed and recorded on eKSF by March 2011. This has been achieved, with 88% having been reviewed against a KSF post outline and levels of competence and training needs identified and recorded.

Improving public sector purchasing – follow-up audit

103. A follow-up audit was carried out in 2010/11 to assess whether local procurement arrangements in NHS 24 were consistent with good practice and addressed the key issues identified in Audit Scotland's national performance report 'Improving public sector purchasing' (July 2009).
104. Assessments were undertaken in 2008 and 2009 by the National Procurement Team (part of NHS NSS) and NHS 24 was identified as one of six non-conforming boards. During 2010, National Procurement provided a programme of support and made a number of recommendations which were accepted by management. A member of staff from

PricewaterhouseCoopers LLP was seconded to take forward these recommendations in consultation with NHS 24 staff.

105. A Procurement Capability Assessment (PCA) was undertaken in December 2010. The findings from this review noted strong improvement since 2009, with only two out of the eight individual sections assessed as non-conformant. Overall, performance was assessed as conformant.

Overview of performance in 2010/11

106. 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.
107. 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 to each Board meeting, together with an analysis of the reasons for any targets being missed, the potential outturn position and possible mitigating actions.
108. The 2010/11 outturn shows that all HEAT targets have been achieved except for two. The target for answering Breathing Space calls has not been met due to a significant increase in call volumes and workforce planning has been undertaken to address this moving forwards. The other target not met related to the number of patients accessing Cognitive Behavioural Therapy (CBT) "Living Life" service who completed the programme (42% of those starting the programme completed it as against the target of 65%). In 2011/12 the CBT target has been amended to become outcomes based to better reflect the programme's objectives.
109. In addition to HEAT targets NHS 24 sets internal standards. Only one out of the 13 internal standards set for 2010/11 had not been achieved, which represents a significant improvement in overall performance since last year. The Patient Experience Survey results for patients who were "very satisfied" with the service did not meet the target, however, the associated target level for the overall satisfaction level was exceeded.

National performance reports

110. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. The findings and key messages of these studies are published in national reports. In NHS 24 it has been agreed that reports will be presented to the Executive Team and to the Audit Committee for information only, unless there are specific issues of relevance to NHS 24. Reports in the last year that have been considered by the Executive Team and Audit Committee include:
 - Emergency Departments (Aug 2010)
 - Financial overview of the NHS in Scotland 2009/10 (Dec 2010)

- Improving Energy Efficiency (March 2011)
- Role of Boards (Dec 2010)
- Management of the Scottish Government's capital investment programme (Jan 2011)
- Community Health Partnerships (June 2011).

Outlook

Performance

111. NHS 24 will need to continue to address the future challenges in relation to performance, productivity, efficiency and best value. The combination of the Service Redesign and SFLA programmes will further support performance going forward.

Service Redesign

112. The Scottish Centre for Telehealth and Telecare (SCTT) will continue to manage the implementation of the four national programmes (Stroke, Paediatrics, Long Term Conditions, and Mental Health), and support NHS National Services Scotland (NSS) in the implementation of the National VideoConferencing Infrastructure. In addition, the SCTT will continue to work with territorial health boards to advise on the use of telehealth and telecare solutions in support of local Service Redesign projects. The challenge to NHS 24 will be to establish appropriate governance controls over this area of growth.
113. The growth in health information/advice websites should be subject to review and a decision taken as to the most effective means of communication with the public without duplication.

Risk Area 8

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Internal Audit Reliance Letter	24 November 2010 14 February 2011	2 December 2010
Annual Audit Plan	23 February 2011 / 7 March 2011	3 March 2011
Review of staff earning over £100,000 p.a.	29 March 2011	16 June 2011
Internal Controls Management Letter	19 May 2011	16 June 2011
Report to Audit Committee in terms of ISA 260	9 June 2011	16 June 2011
Independent auditor's report on the financial statements	9 June 2011	16 June 2011
Improving Public Sector Purchasing – Follow-up audit	7 June 2011	16 June 2011
Best Value Toolkit: People Management	25 February 2011	3 March 2011
Annual report to members and AGS	31 July 2011	15 September 2011 (proposed)

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	19	As expenditure on the SCT programme is likely to increase, the accounting treatment of capital items should be clarified. There is a risk that no-one will undertake stewardship responsibilities for these assets.	It has been confirmed with SGHD that the accounting treatment used during 2010/11 is appropriate.	Director of Finance & Technology	Complete
2	22	NHS 24, as with other health 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 Equal Pay claims. From the work completed to date, and the number of cases still outstanding, this is unlikely to be significant.	Director of HR	31st March 2012
3	32/34	It will be challenging for NHS 24 to remain in financial balance and ensure efficiencies are achieved, given the forthcoming service developments and cost pressures which 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 Executive Team on a monthly basis, and to each meeting of the Board and the Audit Committee for consideration.	Director of Finance & Technology	Ongoing on a monthly basis to 31st March 2012.
4	36	There is a risk that, as the 2008 actuarial valuation has not been completed, it is	NHS 24 will work with and be guided by SGHD and SPPA on	Director of Finance & Technology	Ongoing on a monthly

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		uncertain whether the current level of contributions from employers and employees will meet the future commitments of the Scheme. NHS 24 must work with the SGHD to ensure that the Scheme is subject to timely evaluation, and that the adequacy of the employer and employee contributions has been reviewed.	how this issue will be taken forward at a national level.		basis to 31st March 2012.
5	60	More detailed assurances should be provided to the Chief Executive as part of year-end procedures to evidence the proper consideration by executive directors of the control structures in place.	As part of the process for seeking assurance on the Statement on Internal Control for 2011/12, a more detailed document will be issued to executive directors for consideration and comment.	Director of Finance & Technology	31st March 2012
6	64	The SFLA programme will require careful management to ensure that vital IT services are procured and implemented 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 Team. Quarterly updates are provided to the Board. Within the SFLA team, there is a Technical Assurance Group and a Clinical Assurance Group who will ensure that these areas are appropriately	Director of Finance & Technology	On an ongoing basis to 31st March 2012.

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			considered. The SFLA team contains all the key skillsets for the project to be completed successfully.		
7	65	There is a risk that actions agreed following the ICO's report are not fully implemented and information governance failures occur in future with a consequent reputational risk.	This is being monitored closely by the Executive Team and the Audit Committee. Internal Audit have been asked to conduct a further review to ensure that actions are being taken forward.	Director of Finance & Technology	September 2011
8	113	The growth in health information/advice websites should be reviewed in order to ensure that there is no duplication of services.	NHS 24 is continuing to expand both health Information and advice, and the range of delivery channels available to the Scottish population - thereby doing things once for Scotland. This will be carefully taken forward with other Health Boards in Scotland to ensure that duplication of effort is minimised. A Programme Board is in existence who will review on an ongoing basis as part of the strategic framework.	Chief Executive	On an ongoing basis to 31st March 2012.