

# NHS Lothian

Internal Audit 2024/25

## Agency Review

November 2024

## FINAL REPORT

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It is the responsibility solely of NHS Lothian management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



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## Report Distribution

### Executive Lead:

- Alison MacDonald, Executive Director of Nursing, Midwifery and Allied Health Professionals

### For action:

- Fiona Ireland, Nurse Director Corporate Nursing
- Catherine Crombie, General Manager (Supplementary Staffing)

### For information:

- Caroline Hiscox- Chief Executive
- Craig Marriott – Director of Finance
- Audit and Risk Committee

# Executive summary



## Background

The NHS in Scotland is currently facing significant financial challenges, necessitating rigorous cost control measures. Among these, reducing expenditure on agency staff is a priority, given that agency staffing can be significantly more expensive than employing permanent staff. As published on the NHS Lothian website, the total cost of agency staffing for the 2023/24 period was £24.7 million. For the first quarter of 2024/25, there has been a significant reduction, with costs amounting to £1.68 million compared with £8.29 million for the same period last year.

In our 2022/23 Agency Staffing Internal Audit, several improvement actions were identified to address the financial and operational inefficiencies associated with bank and agency staffing. These actions have since been implemented. This review focused was on compliance with the Scottish Government Health Workforce Directorate's Agency Controls.

The overall aim of the review was to ensure the Board is following the requirement for escalatory controls in deploying agency staff. Scottish Government guidance states that a “clear written process of authorisation for use of supplementary staff should be in place across all care settings in the organisation. Scrutiny ensures that the total staffing picture at any given time is considered before booking supplementary staff and that all options for covering shortfalls, including extra hours, bank and overtime, are explored before the last resort of agency.”

We evaluated whether appropriate escalation processes are in place to control the use of agency staff, detailing the actions to be taken, the individuals involved in decision-making, and the steps to follow when staffing problems cannot be resolved with substantive staff. As agreed with the Executive Director of Nursing, Midwifery, and Allied Health Professionals, our sample testing focused on Royal Infirmary of Edinburgh (RIE) and Royal Edinburgh Hospital and Associated Service (REAS) Nursing, Laboratories, and Radiology disciplines.

# Executive summary



## Objectives

Our review focussed on the following key risks:

- Clear guidance for the use of agency staff does not exist leading to inconsistent and potentially costly staffing decisions.
- The application of controls is inadequate resulting in non-compliance with Government directives and unnecessary agency staff costs.
- Failure to report and adequately monitor agency usage resulting in operational and financial inefficiencies and potential regulatory non-compliance.



## Limitations in scope

Our findings and conclusions will be limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls linked to the Medicines Management review.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.



## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

# Headline messages

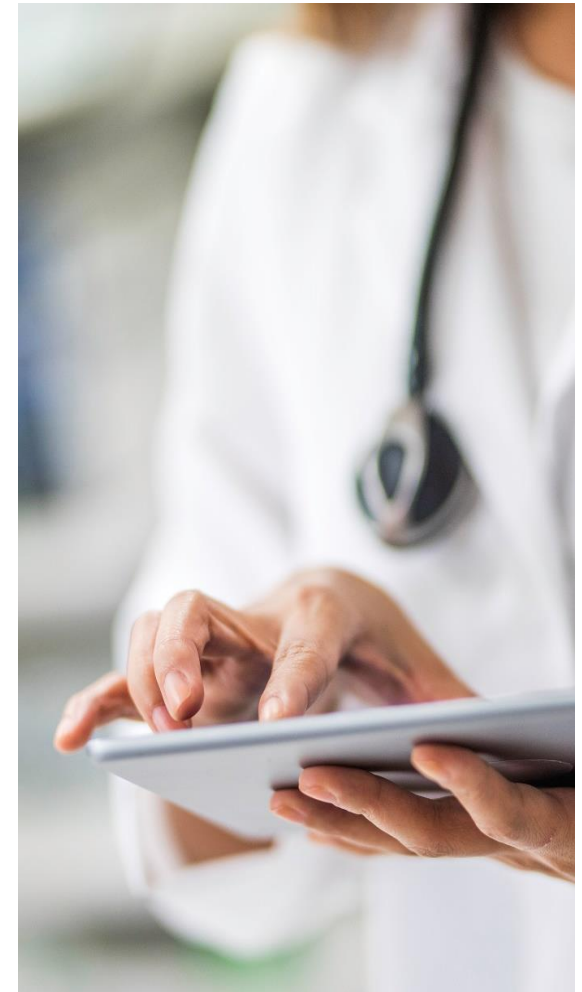
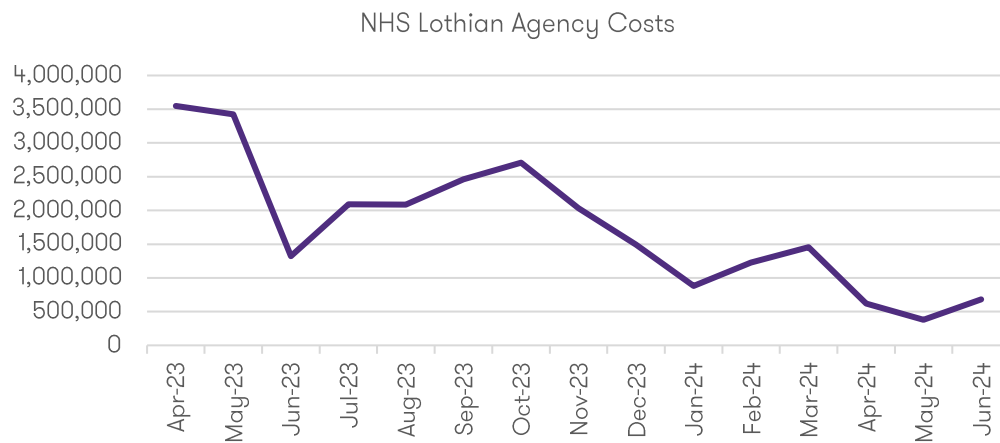


## Significant Assurance

We have reviewed the processes and controls around Agency Management and have concluded that the processes have provided **Significant Assurance**. This was confirmed through testing in specific areas of the organisation and through discussions with management.

The overall aim of the review was to ensure the Board is complying with the Scottish Government Health Workforce Directorate's Agency Controls and that each of the four areas in the audit scope are applying the necessary escalatory controls in deploying agency staff. We provide Significant Assurance on this basis. However, we identified issues related to acuity demands and vacancy gaps, which remain challenges for the Board and may hinder further reductions in agency use.

The overarching aim of the Scottish Government Health Workforce Directorate's Agency Controls is to reduce the reliance on agency staffing across NHS Scotland. The initiative aims to manage the costs associated with agency workers with a focus on promoting the use of internal staffing solutions such as NHS bank staff. NHS Lothian has made significant reductions in its agency expenditure, which serves as a good measure of alignment with this national goal.



# Headline messages



As part of our audit fieldwork, we confirmed substantial alignment between the NHS Lothian Local Grip and Control SOP, NHS Lothian's Procedure for Ordering Supplementary Staffing, and the Scottish Government Health Workforce Directorate's directives (DL [2023] 05 and DL [2023] 14), ensuring effective application of national controls on agency staffing within the Board. Key alignment areas include; exhaustion of internal staffing options (such as NHS bank staff, overtime, or redeployment), mandatory pre-approval processes for supplementary staffing, sourcing staff exclusively through approved National Procurement Framework agencies, and clear documentation providing written justification for agency use.

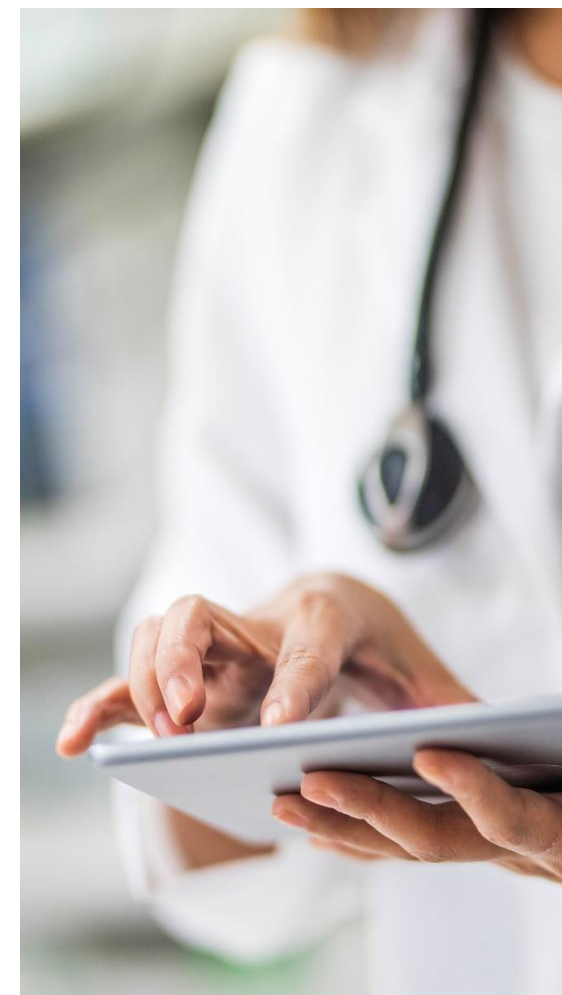
Sample testing confirmed that the controls surrounding the justification and approval of agency staff are functioning as intended. Interviews with key managers across the four areas under review also demonstrated a clear understanding of these controls and consensus that the new processes are necessary. Managers acknowledged that the revised procedures have increased scrutiny, ensuring that the use of agency staff is now a well-considered option, employed as a last resort.

NHS Lothian has made significant progress in reducing reliance on agency staff, in line with Scottish Government guidance. However, operational challenges persist. We noted in the AfC Agency Efficiency meeting notes untimely submissions of agency worker exit strategies and sustainability plans. There were delays in submitting exit plans by Radiology and Healthcare Science Service Leads, requested in April, they were noted in May and June as overdue, highlighting the need for improved adherence to schedules. These delays increase the risk of prolonged agency reliance and higher staffing costs.

Challenges are present in managing high-acuity demands and staffing shortages, particularly in mental health services. The Royal Edinburgh Associated Services (REAS), which provides mental health care across multiple locations, faces ongoing staffing gaps, contributing to a 54% increase in agency escalations, accounting for 50% of total demand. Recruitment and retention challenges were also noted in radiology. As certain scans, such as the 20-week maternity scan, must be performed within specific timeframes vacancy gaps are contributing to the need for agency staff to ensure compliance with waiting time targets. If these gaps are not addressed, reliance on agency staff is likely to persist, undermining cost-reduction efforts.

Appendix 1 of the report includes a graph illustrating agency costs across the four areas reviewed. In all cases, the reduction in costs demonstrates that the internal controls implemented to comply with Scottish Government directives on reducing agency usage have been effective in delivering measurable results. While this is a positive outcome, the Board must remain alert to ensure that operational challenges do not impede further progress in reducing agency reliance.

We will review progress made as part of our recommendation tracking during 2024/25.



# Headline messages



## Conclusion

We have raised three recommendations. The grading of these recommendations, based on risk, is summarised in the table below.

Objectives	Assurance rating	Number of recommendations			
		High	Medium	Low	Imp
Clear guidance for the use of agency staff does not exist leading to inconsistent and potentially costly staffing decisions.	<b>Significant Assurance</b>	-	-	-	-
The application of controls is inadequate resulting in non-compliance with Government directives and unnecessary agency staff costs.	<b>Moderate Assurance</b>	-	1	1	-
Failure to report and adequately monitor agency usage resulting in operational and financial inefficiencies and potential regulatory non-compliance.	<b>Significant Assurance</b>	-	-	1	-

# Summary of findings



## Examples of where recommended practices are being applied

- Scottish Government Health Workforce Directorate's Agency Controls are documented in the NHS Lothian Procedure for Ordering Supplementary Staffing and the NHS Lothian Local Grip and Control SOP, including the mandatory use of national contracts, a clear authorisation process for agency staff, and the exploration of alternative staffing options before using agency staff.
- The focus on increasing the use of bank staff, as evidenced by the Acute Workforce Report, aligns with NHS Scotland's directives on exploring alternative staffing options before resorting to agency staff.
- All 39 agency engagements reviewed (documentation not available for one in our sample) confirmed adhered to Scottish Government directives by exploring internal staffing options such as bank staff and overtime before agency use, with authorisation provided at director-level sign-off ensuring enhanced governance.
- In our sample testing, all agency staff were sourced from approved National Procurement Framework agencies ensuring cost control and compliance with government directives. Each engagement was accompanied by clear, valid justifications, in all cases this was due to staffing gaps that could not be filled internally.
- From our interviews with senior management in the four in-scope areas, we confirmed a clear understanding and agreement to meet the Scottish Government's directives on agency staffing. Senior management acknowledged the importance of exploring internal staffing solutions, such as bank staff, before resorting to agency staff. There was widespread agreement on the need for director-level approval for agency engagements, ensuring that all measures are thoroughly considered. Discussions confirmed a commitment to implementing structured controls, such as the use of SafeCare to monitor staffing needs based on acuity, alongside consideration for the reduction of agency workers.
- NHS Lothian has established adequate reporting lines to monitor agency usage, categorising reasons of agency. This allows for tracking of trends and facilitates targeted control measures to reduce reliance on agency staff. Significant reductions in off-framework agency use (99.5% since May 2023) demonstrate NHS Lothian's progress. Bank fill rates have increased, further reducing agency dependence. Continuous reviews and benchmarking across health boards ensure ongoing improvements and alignment with cost-management objectives.
- The Board reports on agency usage provide a clear and strategic overview, highlighting the significant reduction in costs and the success of key initiatives aimed at reducing reliance on high-cost off-contract agencies. The concise presentation is suitable for high-level decision-making and aligns with the Board's strategic oversight role.



# Summary of findings



## Areas requiring improvement

- NHS Lothian has made significant progress in reducing agency reliance, however, there are delays in departments submitting agency staff use exit strategies, particularly in Radiology and Healthcare Science. Notably, Healthcare Science recorded combined agency costs of £72,595 from April to June, highlighting the need for stricter management to ensure timely submissions and compliance with organisational objectives. The delays increase the risk of continued agency reliance and costs.
- There is a need for improved capacity planning and recruitment strategies. Unfilled vacancies, recruitment challenges, and high demands driven by acuity levels have led to increased reliance on agency staff. In particular, agency demand in Mental Health has risen by 54%, and radiology services continue to face staffing shortages, especially for time-sensitive scans. It has been reported to us that, in relation to Radiology, efforts to increase bank staff have been undermined by other Health Boards offering higher-paying agency shifts. Ensuring sufficient substantive staff are in place will significantly reduce reliance on agency staff and associated costs.
- During the review of 40 agency staff engagement records, supporting documentation was missing for one of the engagements. The NHS Lothian contact confirmed that the specific shift could not be located. The inability to track the documentation for all agency engagements presents a risk a lack of transparency in demonstrating full compliance with government directives and NHS Lothian's Local Grip and Control SOP.

# Detailed findings & action plan

2.1

Moderate Assurance

The application of controls is inadequate resulting in non-compliance with Government directives and unnecessary agency staff costs.

Finding and implication	Audit recommendation	Management response, including actions
<p><b><u>Efforts to reduce agency staff are progressing, but delayed submission of exit strategies highlight management challenges.</u></b></p> <p>We reviewed sufficient evidence to confirm NHS Lothian has made concerted efforts with considerable success to reduce agency staff reliance, aligning with Scottish Government Guidance. However, operational challenges were identified related to the reduction of agency use.</p> <p>The AfC Agency Efficiency meeting notes and the Nursing Efficiency Thematic - Programme Overview highlight NHS Lothian's efforts to reduce agency use through structured exit strategies and sustainability plans. While service teams have been acknowledged for initiating these strategies, the meeting notes identify delays in the submission of exit plans by Healthcare Science Service Leads and Radiology. These plans were requested in April and were noted as overdue in both May and June.</p> <p>It is important to note that Radiology incurred no agency staff costs in Q1 of 2024/25. In contrast, Healthcare Science Services recorded agency costs of £17,234 in April, £29,379 in May, and £25,983 in June. These costs highlight the need for enhanced project management within Healthcare Science Services to ensure timely submission of exit strategies and strict adherence to schedules, which is critical for reducing agency staff reliance and managing associated costs effectively. Although, Healthcare Science Services was not included in the review scope, the finding is relevant to the overall objective of our audit.</p> <p>The delayed submission of exit strategies in Healthcare Science increases the risk of agency reliance and higher staffing costs.</p>	<p><b>Recommendation 1</b></p> <p>To mitigate prolonged reliance on agency staff and support NHS Lothian's cost reduction objectives, all services, including Healthcare Science Services, must submit agency staff exit strategies and other actions requested by senior management in a timely manner. Failure to comply should result in escalation to the Board.</p>	<p><b>Actions:</b> All requested action plans / sustainability plans have now been received by the AfC Agency Efficiency Group. The failure to provide had been escalated to the Workforce Thematic Efficiency Programme Board, chaired by the HRD. The onward escalation route would have been via FIG to FOB and ultimately to CMT had these plans not been received. This had not been necessary but is an available escalation for future requests.</p> <p><b>Responsible Officer:</b> Fiona Ireland, Nurse Director Corporate Nursing</p> <p><b>Executive Lead:</b> HR Director</p> <p><b>Due Date:</b> Completed prior to publication of audit report</p>

# Detailed findings & action plan

2.2

Moderate Assurance

The application of controls is inadequate resulting in non-compliance with Government directives and unnecessary agency staff costs.

Finding and implication	Audit recommendation	Management response, including actions
<p><b><u>Unfilled vacancies, recruitment challenges, and acuity demands increase the risk of reliance on agency staff.</u></b></p> <p>As part of our audit, we interviewed key staff in the audit scope areas. Discussions with the Chief Nurse at Royal Edinburgh Associated Services (REAS), which provides mental health services across geographically dispersed units, highlighted an increased need for supplementary staffing due to high acuity and staffing shortages.</p> <p>REAS and Mental Health services accounts for 50% of demand largely due to acuity and demand, highlighting the need for improved capacity planning and recruitment. Similarly, the Agency Use - Demand Reasons report highlights vacancies as a key driver of agency use.</p> <p>Our interview with the Chief Radiographer/Service Manager also highlighted challenges in recruitment and retention. We were informed that the need for agency staff is largely driven by recruitment challenges and staff vacancies. Certain scans, such as the 20-week maternity scan, must be performed within specific timeframes, necessitating consistent staffing to meet these targets which may result in agency use.</p> <p>It is acknowledged, the Board has identified hard-to-recruit areas, and the August Board report detailed the current establishment gap is around 6%, and there has been an increase in recruitment of around 700 nursing staff due to be entering the Board between September and November 2024. It was also reported to the Board that “the agency is in a better position than last year, with agency reductions of 91%.”</p>	<p><b>Recommendation 2</b></p> <p>Improved recruitment and capacity planning are needed to address staffing shortages and high acuity demands in services. This will assist in reducing the need for agency staff.</p>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>1) A pan-Lothian review of nursing and midwifery establishments is underway, with REAS prioritised and progressing as planned. The findings will be presented to the N&amp;M Workforce Group.</li> <li>2) The N&amp;M recruitment process was refined for 2024, leading to a 20% increase in graduate nurse hires compared to last year. The process will be reviewed after this year’s recruitment.</li> <li>3) While recruitment in Radiography/Sonography would be beneficial, Scottish Government funding for ultrasound scanning is limited to a non-recurring, three-month allocation, which does not support substantive Sonographer recruitment. Previous agency Sonographers have joined the Staff Bank, but actions by other Boards have hindered this cost-effective approach. NHS Lothian will apply national guidance on AHP agency use.</li> </ol> <p><b>Responsible Officer:</b> Fiona Ireland, Nurse Director Corporate Nursing</p> <p><b>Executive Lead:</b> Alison MacDonald, Executive Director of Nursing</p> <p><b>Due Date:</b> 1 &amp; 2 – 31/03/2025, 3) 30/09/2025</p>

# Detailed findings & action plan

3.1

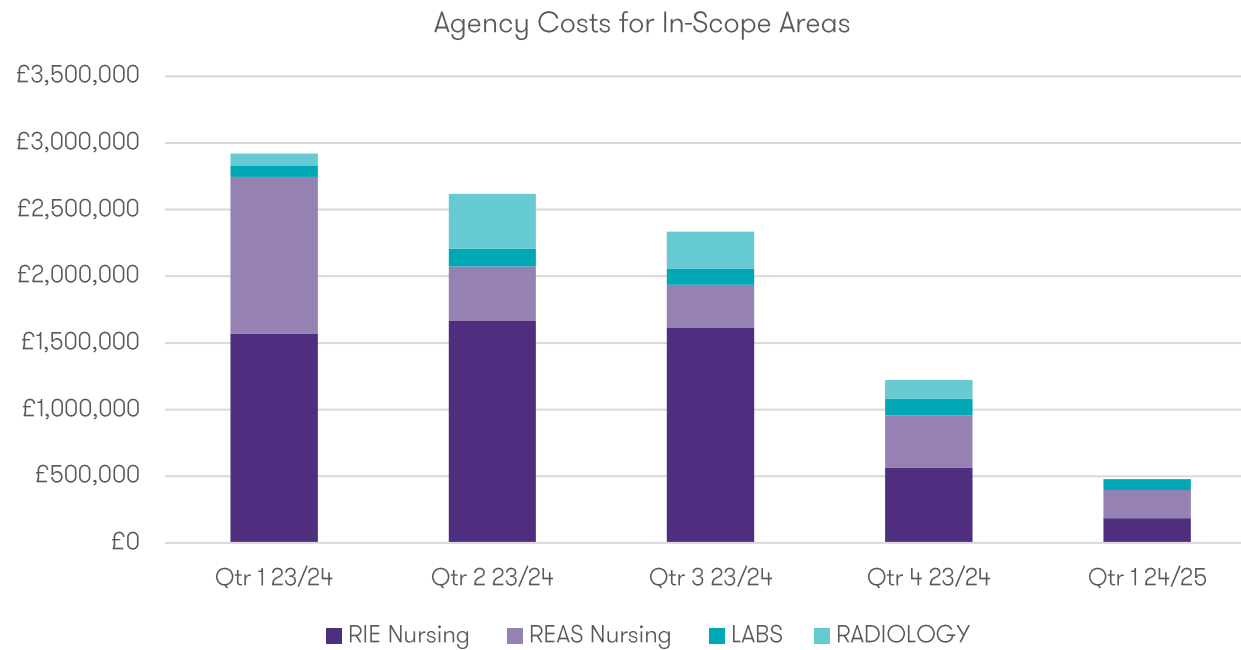
## Significant Assurance

Failure to report and adequately monitor agency usage resulting in operational and financial inefficiencies and potential regulatory non-compliance.

Finding and implication	Audit recommendation	Management response, including actions
<p><b><u>Gaps in agency engagement documentation leading to potential compliance and transparency control risks.</u></b></p> <p>During the review of 40 agency staff engagement records, supporting documentation was missing for one of the engagements. Our NHS Lothian contact confirmed that the specific shift could not be located. It was suggested that, in some cases, an agency shift may be escalated and the agency nurse subsequently moved to another unit, resulting in a new number being created. This appears to be the case for the missing engagement.</p> <p>The inability to track the documentation for all agency engagements presents a transparency risk and limits the Board's ability to demonstrate full compliance with government directives and the NHS Lothian's Local Grip and Control SOP. This resulted in difficulties in auditing and tracking all agency shifts, which could lead to breaches of operational control no being identified.</p>	<p><b>Recommendation 3</b></p> <p>NHS Lothian should implement stronger controls to ensure that all agency staff engagements are fully documented, including any escalations or transfers. A standard process should be introduced for updating records when agency staff are moved to different units, ensuring continuity in tracking and reporting.</p>	<p><b>Actions:</b> The process to manage transfer of agency staff from one roster to another will be reviewed and appropriately amended, subject to any functional constraints of the commercial national contract software, to ensure the traceability of all demand, escalation and placement of the agency worker through to payment of invoice.</p> <p><b>Responsible Officer:</b> Catherine Crombie, General Manager (Supplementary Staffing)</p> <p><b>Executive Lead:</b> Alison MacDonald, Executive Director of Nursing</p> <p><b>Due Date:</b> 31/12/2024</p>

# Appendices

# Appendix 1: Agency Costs for In-Scope Areas



# Appendix 2:

## Staff involved and documents reviewed



### Staff involved

- Craig Stenhouse, Chief Nurse
- Michelle Jack, Associate Nurse Director RIE
- Amanda Malham, Service Manager
- Paul Hudson, Chief Radiographer/Service Manager
- Catherine Crombie, General Manager - Corporate Nursing



### Documents reviewed

- Local Grip and Control SOP
- Procedure for Ordering Supplementary Staffing
- N&M Supplementary Staffing Grip & Control Minutes
- NHS Lothian Board Papers
- Nursing Efficiency Thematic Programme Overview
- Acute Service Workforce Report
- AfC Agency Efficiency Programme Minutes
- Agency Usage Highlights Reports
- Agency Escalations Authorisation Spreadsheets
- Scottish Government Directives



# Appendix 3:

## Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant Assurance</b>	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.</p> <p>There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p>
<b>Moderate Assurance</b>	<p>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</p> <p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p>
<b>Limited Assurance</b>	<p>The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.</p> <p>This may be used when:</p> <ul style="list-style-type: none"> <li>• There are known material weaknesses in key control areas.</li> <li>• It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for.</li> </ul> <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>
<b>No assurance</b>	<p>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</p> <p>The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance a number of HIGH rated recommendations)</p>



# Appendix 4:

## Our recommendation ratings

The table below describes how we grade our audit recommendations based on risks:

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>• Key activity or control not designed or operating effectively</li> <li>• Potential for fraud identified</li> <li>• Non-compliance with key procedures/standards</li> <li>• Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>• Important activity or control not designed or operating effectively</li> <li>• Impact is contained within the department and compensating controls would detect errors</li> <li>• Possibility for fraud exists</li> <li>• Control failures identified but not in key controls</li> <li>• Non-compliance with procedures/standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>• Minor control design or operational weakness</li> <li>• Minor non-compliance with procedures/standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>• Information for management</li> <li>• Control operating but not necessarily in accordance with best practice</li> </ul>

