

NHS Quality Improvement Scotland

Report on the 2008/09 Audit

July 2009



 AUDIT SCOTLAND

NHS Quality Improvement Scotland

Report on the 2008/09 Audit

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Key Messages

Introduction

In 2008/09 we looked at the key strategic and financial risks being faced by NHS Quality Improvement Scotland (NHS QIS). We audited the financial statements and we also reviewed use of resources and aspects of governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of NHS Quality Improvement Scotland for 2008/09. 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

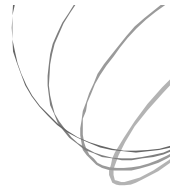
The Board carried forward a £0.398 million surplus from 2007/08. This surplus included £300k for the implementation of the national Scottish Patient Safety Programme. During 2008/09 the Board achieved a cumulative surplus of £0.116 million, after utilising the ring fenced surplus which was carried forward from 2007/08. This reflects an in year surplus of £0.018 million and a carry forward of £0.098million from 2007/08.

There will be tighter financial settlements in 2009/10 and future years with an uplift of 3.15% in 2009/10 compared to 6% in previous years. This will have a significant impact on long term financial planning and the control of costs.

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall, the corporate governance and control arrangements for NHS Quality Improvement Scotland 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.



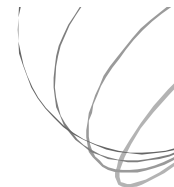
Performance

NHS Quality Improvement Scotland has a strong performance management culture. NHS QIS achieved the national HEAT targets in relation to its financial targets and recorded a sickness absence rate of 2.52% (compared to a national target of 4%). It has also achieved its target of ensuring that all employees covered by Agenda for Change have an agreed Knowledge and Skills Framework personal development plan by 31 May 2009.

Looking forward

The final part of our report notes some key risk areas for NHS Quality Improvement Scotland going forward. The key issue going forward will be the actions the organisation needs to take to effect its transition to the successor body, Healthcare Improvement Scotland, in 2011. There will also be challenges in setting up the Healthcare Environment Inspectorate, and the delivery of efficiencies and spending targets under a more stringent future funding regime.

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



Introduction

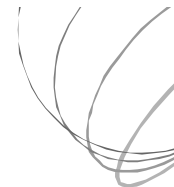
1. This report summarises the findings from our 2008/09 audit of NHS Quality Improvement Scotland. The scope of the audit was set out in our Audit Plan presented to the Audit Committee on 5 March 2009. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. 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 throughout this report we comment on aspects of NHS Quality Improvement Scotland's arrangements.

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





4. 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 have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time.
5. 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. We mention the key findings from all relevant reports, and the implications for NHS Quality Improvement Scotland, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of NHS Quality Improvement Scotland 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

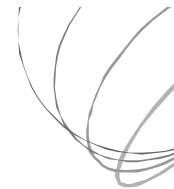
7. In this section we summarise key outcomes from our audit of NHS Quality Improvement Scotland's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

8. 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.
9. 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

10. We have given an unqualified opinion on the financial statements of NHS Quality Improvement Scotland for 2008/09.
11. As agreed, the unaudited accounts were provided to us on 18 May 2009 supported by a comprehensive working papers package. The good standard of the supporting papers and the timely responses from NHS Quality Improvement Scotland staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 18 June 2009 as outlined in our Annual Audit Plan.

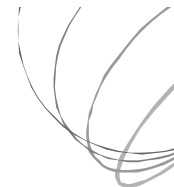


Issues arising from the audit

12. A high standard of draft accounts and supporting working papers were provided for our audit. Although a number of presentational issues were found, no significant errors were identified, and no significant issues required to be reported to the Audit Committee on 18 June 2009.

Equal Pay Claims

13. Article 141 of the Treaty of Rome requires member states to ensure and maintain “the application of the principle that men and women should receive equal pay for equal work”. This was taken forward by the Equal Pay Directive which made it clear that all such discrimination should be eliminated from all aspects of remuneration. In the UK the Equal Pay Act 1970 is seen as fulfilling Britain’s obligations in relation to equal pay. The National Health Service in Scotland has received a number of claims for equal pay in which additional back pay is sought, arising from the requirement for equal pay. The NHS Central Legal Office (CLO) is instructed by the Management Steering Group of the NHSScotland and co-ordinates the legal response of NHSScotland to this issue.
14. There have been some developments in this area over the past year. Some cases are being pursued that also comprise a challenge to the Agenda for Change pay evaluation system on the basis that it perpetuates discrimination. This has slowed the progress of claims. The challenge to Agenda for Change was recently heard at an Employment Tribunal. The challenge was unsuccessful and the Tribunal rejected the contention that the Agenda for Change job evaluation scheme was discriminatory. This ruling severely curtails the possibility of claims for any period after 1 October 2004. In relation to claims for the period prior to 1 October 2004, claimants will still have to establish that their jobs at that time were of equal value to the comparator jobs. The CLO have stated that claims currently submitted 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 Central Legal Office and Equal Pay Unit are monitoring the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position.
15. NHS Quality Improvement Scotland has not received any Equal Pay claims to date. That being the case, and given the nature of its work, we do not consider that there is significant risk of material equal pay liabilities accruing to NHS QIS in future years. However the Board should monitor developments in this area.



Regularity

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

International financial reporting standards (IFRS)

17. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
18. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
 - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit.
 - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
19. The opening balance sheet and supporting documentation were submitted by the Acting Head of Finance for audit review by the deadline date of 28 November 2008. Supporting working papers were provided on request but these did not cover all areas.
20. No notes to the main financial statements or associated accounting policies were provided. The full set of shadow accounts will require the preparation of these elements. The disclosure requirements under IFRS are more onerous than for accounts prepared under UK GAAP. In particular, segmental reporting will impose a significant additional workload on finance staff in identifying appropriate segments and allocating asset values. Continued progress will be required to prepare the shadow IFRS accounts for 2008/09. NHS Quality Improvement Scotland should ensure that sufficient resources and support are available to produce the required information in accordance with the prescribed timetable.

Risk area 1



21. We made some recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09 - and will consider progress on these when we review the shadow accounts later in 2009. These included:

- the calculation of the employee benefits accrual
- further review of information on leases
- further review of fixed assets to identify components
- identification of any embedded derivatives.



Use of Resources

22. 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 Quality Improvement Scotland's:

- financial position
- financial management
- management of people.

The Board's financial position

Outturn 2008/09

23. NHS Quality Improvement Scotland 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

2008/09 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	18.107	17.991	0.116
Capital Resource Limit	0.244	0.240	0.004
Cash Requirement	18.209	18.209	-

The Board carried forward a £0.398 million surplus from the previous year. This surplus included £300k for the implementation of the national Scottish Patient Safety Programme which was utilised during 2008/09. During 2008/09 the Board achieved a cumulative surplus of £0.116 million, after utilising the ring fenced surplus which was carried forward from 2007/08. This reflects an in year surplus of £0.018 million and a carry forward of £0.098million from 2007/08.

24. Table 2 below, shows how the surplus of £0.116 million was achieved through 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 and the option of capital to revenue transfers no longer available to Boards, there is less scope for reliance on non recurring income to achieve financial balance as Boards seek to rationalise their cost base.

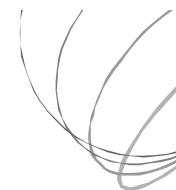


Table 2

Funding Position 2008/09

	£ Million	£ Million
Recurring income	16.370	
Recurring expenditure	(16.595)	
Recurring savings	0.341	
Underlying recurring surplus/(deficit)		0.116
Non-recurring income	1.738	
Non-recurring expenditure	(1.919)	
Non recurring savings	0.181	
Non-recurring surplus/(deficit)		0.00
Financial surplus/(deficit)		0.116
Underlying recurring surplus/(deficit) as a percentage of recurring income		0.71%

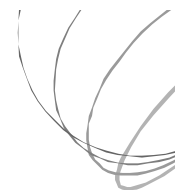
Financial sustainability and the 2009/10 budget

25. There were tighter funding settlements in 2008/09 with an uplift of 3.15% compared to around 6% in previous years. This trend has continued in 2009/10 where the uplift was also set at 3.15%. This will have a significant impact on long term financial planning and the control of non pay costs. In addition, NHS Quality Improvement Scotland has set an efficiency savings target of £670k (4%) in 2009/10. However, given the current economic situation and the impact of any review of national spending priorities, there is a risk that funding uplifts will continue to be very challenging in future years.

Risk area 2

Financial management

26. Audit Scotland is developing a range of audit toolkits to cover key best value principles. These are being developed so that they can be used both by auditors and by NHS bodies themselves for self-assessment purposes. The first of the toolkits, which covered financial management, was piloted in NHS Quality Improvement Scotland during 2007/08.
27. Our detailed report was issued in November 2008 and drew upon examples of good practice across the NHS in Scotland. Our report concluded that the board's arrangements in this area are soundly based and in 2009/10 we plan to monitor the board's progress in developing an action plan to address the areas where performance could be improved.



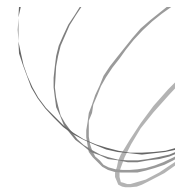
People management

28. During 2008/09 we carried out a brief review of NHS Quality Improvement Scotland's process for the completion of its staff governance action plan. The work was carried out in response to a request from the Scottish Government to Audit Scotland for external auditors to review boards' procedures in relation to staff governance. In the case of NHS Quality Improvement Scotland, we reviewed the procedures followed for the production of the 2009/10 staff governance action plan. The main purpose of our review was to ensure that the staff governance action plan addresses issues arising from:
- staff survey results
 - mandatory statistics on people management
 - any outstanding issues from the previous year's action plan.
29. Our review also included checking that the staff governance action plan includes clear timescales, identify responsible officers and set out measurable actions. Overall, we noted that NHS Quality Improvement Scotland has a robust process in place for the production of its staff governance action plan.

National Studies

Asset management in the NHS

30. This study examined how the NHS is strategically managing its assets to support effective service delivery. The study's objectives included assessing the extent to which the Scottish Government provides strategic direction to NHS bodies on asset management in general and the assurance that NHS estate is being used in the most economic and effective way. It also evaluated how well NHS bodies strategically manage all of their assets to ensure effective service delivery.
31. The report recommended that NHS bodies should:
- develop strategies for each type of asset and then develop a corporate asset management strategy and plan, which links with their clinical strategies
 - ensure they assess estate condition, statutory compliance, functional stability and space utilisation on a regular basis
 - ensure all information on assets is held electronically
 - review their performance management arrangements and, where required, develop performance measures and targets for assets.



Managing the use of medicines in hospitals: follow-up review

32. This review followed up the key recommendations from Audit Scotland 2005 report on '*Managing the use of medicines in hospitals.*' It also provided an overview of national developments since 2005. The report recommended that NHS boards should ensure that pharmacy workforce plans are based on an assessment of need, which considers the appropriate numbers, skill mix and other resources such as automation, to meet future needs for dispensary, clinical and other work.



Governance and Accountability

33. 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 Quality Improvement Scotland's arrangements.
34. 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

35. This year we reviewed:
 - patient safety and clinical governance
 - partnership working
 - key systems of internal control
 - internal audit
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
36. Our overall conclusion is that arrangements within NHS Quality Improvement Scotland are sound and have operated through 2008/09.

Patient safety and clinical governance

37. NHS Quality Improvement Scotland provides guidance on clinical practice, sets clinical standards, supports implementation of quality improvement initiatives and assesses the performance of the NHS. It therefore has a central role in delivering patient safety and good clinical governance across NHSScotland.
38. The Scottish Patient Safety Alliance (SPSA) was set up by the SGHD in 2007, bringing together the Scottish Government, NHS Quality Improvement Scotland, health boards and special boards, professional bodies, patient safety experts and other groups. NHS Quality Improvement Scotland took on the lead role in co-ordinating the national Scottish Patient Safety Programme (SPSP), which was the first major work stream under the Alliance. We noted in our audit plan that effective



management of the programme would present a major challenge for the organisation. Throughout the year NHS Quality Improvement Scotland has been involved in organising learning sessions including all NHSScotland boards, co-ordinating the testing and implementation of changes emanating from the five programme workstreams, organising a number of other events and disseminating information across NHSScotland. Individual projects making up the programme have been running in accordance with the overall timetable.

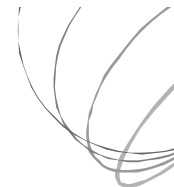
Risk area 3

39. We noted in our audit plan that NHS Quality Improvement Scotland needed to continue the good progress it had made in addressing the clinical governance and risk management issues raised in the peer review carried out in 2008. The Clinical Governance and Risk Management Implementation Group have continued to oversee and report progress to the Board against a CG&RM action plan. A Risk Management Strategy is now in place with an underlying Risk Register and Risk Management Action Plan. New projects feed into individual project and directorate risk registers, and the Clinical Governance & Quality Assurance Committee report regularly to the Board. In terms of NHS QIS' own assessment scoring against CG&RM standards, the target is to attain level 4 by the next scheduled peer review in May 2010, however, management acknowledge that this may not be achievable.

Risk area 4

Partnership Working

40. Partnership working in the NHS covers a number of areas, including partnership with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS Boards.
41. The NHS routinely works in partnership with other organisations to deliver health services and to meet its aims and objectives. The need to work collaboratively is set out in both the Partnership Agreement and in Partnership for Care, which states that improvements in the health of the people of Scotland cannot be achieved by the SGHD or NHS Boards alone.
42. A key conclusion from the 2007/08 Annual Review of NHS QIS by the Cabinet Secretary was the need to strengthen arrangements for engaging with NHS Boards, and with the public specifically through Public Partnership Forums. Operational protocols for working with partner organisations have been developed during the year. A Board Working Group has operated during the year to oversee progress on a review of NHS Quality Improvement Scotland's Patient Focus Public Involvement (PFPI) Framework, and across the work programme PFPI aspects have been built in to activity where appropriate.



Systems of internal control

43. 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 2008/09 Scott Moncrieff, the Board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, NHS Quality Improvement Scotland has an adequate and effective internal control system that provides reasonable assurance regarding the objectives and the management of key risks.
44. As part of our audit we reviewed the high level controls in a number of NHS Quality Improvement Scotland systems that impact on the financial statements. This audit work covered a number of areas including payroll, accounts payable, accounts receivable, fixed assets and general ledger. Our overall conclusion was that NHS Quality Improvement Scotland has adequate systems of internal control in place. We did identify some areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed-up at a future date to confirm that improvements have been made.
45. 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 Quality Improvement Scotland.

Statement on internal control

46. The Statement on Internal Control (SIC) provided by NHS Quality Improvement Scotland's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and sets out NHS Quality Improvement Scotland's approach to this. The SIC highlighted the steps taken to monitor the Board's risk management processes during 2008/09 including the development and maintaining of a corporate Risk Register. Further, it outlined the monitoring procedures for information governance including the production of an Annual report which is reviewed by the Clinical Governance and Quality Assurance Committee. The statement did not refer to any areas which require to be strengthened.



Internal Audit

47. 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 2008/09 audit we assessed whether we could place reliance on NHS Quality Improvement Scotland's internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2008/09, as we anticipated in our annual audit plan.

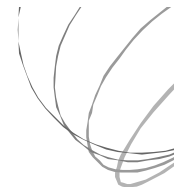
Prevention and detection of fraud and irregularities

48. NHS Quality Improvement Scotland has in place a number of measures to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and supporting policies and procedures. The board has a formal programme of internal audit 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

49. In 2008/09 NHS Quality Improvement Scotland took part in the National Fraud Initiative (NFI) in Scotland. The SGHD and NHS Counter Fraud Services have strongly supported the involvement of health bodies in the exercise, which is undertaken as part of the audits of the participating bodies. NFI brings together data from health bodies, councils, police and fire and rescue boards, and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. Health bodies provided payroll data for the exercise. The NFI has generated significant savings for Scottish public bodies (£40 million to date) but, if fraud or overpayments are not identified, assurances may be taken from internal arrangements for preventing and detecting fraud.
50. The NFI 2008/09 results (data matches) were made available to health bodies on 11 February 2009 via a secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the board's involvement in NFI 2008/09 during the course of the audit.
51. The current NFI process is still at an early stage but the Board require to ensure that sufficient time and resources are made available to fully investigate the data matches relating to NHS QIS employees in accordance with the prescribed timetable. As part of this process a local action plan should be developed detailing each stage of the NFI process and it is the expectation that key officers will be allocated specific responsibilities to review and investigate the matches.

Risk area 5



National Studies – Review of the new General Medical Services contract

52. This report considered how the new General Medical Services (GMS) contract, which is UK wide, was implemented in Scotland. The review focused upon the approach taken by the Scottish Government and NHS Boards to plan and implement the contract, the cost and effect of the contract on patients and GPs and the wider NHS arrangements for monitoring and managing the contract.
53. The report recommended that the Scottish Government and NHS boards should:
- monitor the investment by NHS boards in enhanced services to make sure that they achieve value for money as well as meeting local needs
 - collect comprehensive data on local GP and GP practice staff numbers to support workforce planning at a national and local level.



Performance

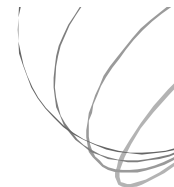
54. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure 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.
55. In this section we comment on:
- the Board's corporate plan and risks to its achievement
 - performance against targets
 - performance management arrangements.

Vision and strategic direction

56. The Corporate Plan outlines the vision of NHS Quality Improvement Scotland which is to:

“Improve the quality of care and treatment delivered by the Health Service.”

57. The plan consists of five key functions :
- **Provide clear advice and guidance on effective clinical practice:** providing advice and guidance on new technologies, treatments and drugs, update the NHS on the latest research and providing advice on the best clinical treatment for specific conditions.
 - **Set clinical and non-clinical standards of care:** publishing standards for specific conditions and clinical services that define the care patients can expect.
 - **Review and monitor the performance of NHS services:** monitor performance of the NHS against standards and publish key figures on the outcomes the NHS is achieving in treating specific conditions. Audit the care and clinical effectiveness of the treatments provided by the NHS.
 - **Support NHS staff in improving services:** spread best practice by publishing benchmarks for care, and also support networks of nurses, midwives and health professionals in sharing and implementing best practice.
 - **Promote patient safety and implementation of clinical governance:** provide a framework for managing the risks inherent in care and support NHS Boards in developing the right systems to protect patients.

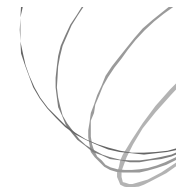


Managing risk

58. There are a number of key challenges and risks for the Board in delivering its plan. The Board has put in place robust systems for the identification and management of risk with the adoption of a single strategic risk register, linked to corporate objectives. Controls or mitigating actions are developed to manage the key risks, and a Clinical Governance and Risk Management Implementation Group monitors and updates an associated action plan. The strategic risk arrangements are supported by directorate level risk monitoring and management arrangements. The challenge for the Board will be embedding a risk aware culture within the organisation for the future management of existing and emerging risks in the medium to long term.

59. The main risk areas are:

- **Securing Financial Stability** – As has been noted elsewhere in this report, one of the significant challenges that the Board faces relates to its ability to deliver an increasingly onerous programme of work, and manage upcoming structural changes, within tighter financial constraints. This issue remains a significant challenge to the Board.
- **Effective partnership working**– A key conclusion from the 2007/08 Annual Review by the Cabinet Secretary was the need to strengthen arrangements for engaging with NHS Boards and the public. The Board are working towards the development of robust partnership arrangements with other organisations and in developing effective relationships with Public Partnership Forums. Partnership working will play an increasingly important role in the achievement of NHS Quality Improvement Scotland's objectives.
- **Performance Management** – New arrangements for reporting performance to the Board were introduced in 2007/08 and management has continued to seek feedback from the Board and other users to confirm effectiveness. Continuous development of performance management and reporting arrangements are required to ensure that the Board can effectively monitor performance against the Work Programme and the Strategic Direction Action Plan. It is recognised that this work is on-going and we will continue to monitor progress in future years.
- **Service Redesign & Development** – The Scottish Government announced that as part of the Public Services Reform Bill, NHS Quality Improvement Scotland would become part of a new health scrutiny body. Any re-organisation will bring a range of management and financial risks. This new body will bring together the existing functions of NHS Quality Improvement Scotland and the responsibilities of the Care Commission for the scrutiny of independent healthcare. The new body will be known as Healthcare Improvement Scotland and will be established in 2011.



60. These risk areas are complex and comprise multiple issues which will require careful management to resolve. We have continued to monitor the Board's progress in each of these areas over the course of the year.

Service Development

61. Our audit plan highlighted the Government announcement, in November 2008, of plans to merge the functions of NHS QIS with the independent healthcare sector scrutiny role of the Care Commission from April 2011. This proposal had been part of the Government's response to the Crerar Review of Scrutiny published in January 2008. The new body, to be called Health Improvement Scotland (HIS) is being set up under the provisions of the Public Services Reform Bill presented to Parliament on 29 May. There exists considerable uncertainty around how the new organisation will be structured, however, a Change Delivery Group has been formed to oversee the core work of implementing the change, while QIS management are continuing to progress the current Strategic Direction Plan.

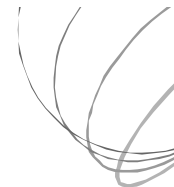
Risk area 6

62. In November 2008, ministers also announced the setting up of the Healthcare Environment Inspectorate within NHS Quality Improvement Scotland by 1 April 2009. This inspectorate will be responsible for inspecting Scottish hospitals and ensuring the highest standards of infection prevention and cleanliness in order to reduce infections within hospitals and increase public confidence. The timescale for establishing this inspectorate is challenging with the expectation that it will be fully operational with approx 24 staff by September 2009.

Risk area 7

Performance Overview

63. Only two of the SGHD's non financial HEAT targets are directly relevant to NHS QIS, these being the achievement of a sickness absence rate of 4%, and the target of having an agreed Knowledge and Skills Framework (KSF) personal development plan (PDP) in place for each employee by 31 May 2009. Sickness absence rate is currently 2.5% and expected to improve, while as at 31 March 2009, 65% of employees had KSF PDPs in place, and the target of 100% had been achieved by the May deadline.
64. NHS Quality Improvement Scotland has successfully delivered its 2008/09 Work Programme, as set out in its 2008/09 LDP. Substantially all of the planned projects were delivered on time, with only 5 projects, running behind their original deadlines, representing 4% of projects on the work programme.



Performance Management

65. NHS QIS has continued to develop the arrangements introduced in 2007/08 for reporting performance to the Board, based on feedback from users. The format of reporting is now well established, with overviews of board performance in each of the three main areas of Work Programme, Finance and Human Resources. More detailed performance reports are also provided on a directorate level and can readily be linked to Local Delivery Plan targets.
66. The Cabinet Secretary for Health and Wellbeing as part of the Annual Review of NHS Quality Improvement Scotland, highlighted areas where specific action would be required to ensure that certain performance targets are achieved. These included ensuring the strong progress and momentum of the Scottish Patient Safety Programme, and strengthening follow up arrangements for ensuring that NHS boards implement findings and recommendations from NHS Quality Improvement Scotland.

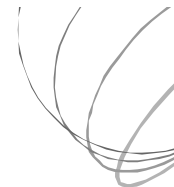
Efficiency

67. In 2008/09 NHS Quality Improvement Scotland had a cost savings target of £332k as part of the Scottish Government Efficient Government – Efficiency Savings Initiative. The target was met and exceeded during the year through a range of cost savings initiatives, primarily reductions in agency staff usage and accommodation costs. As identified in paragraph 24 above, the financial challenge for 2009/10 onwards will be significant for the Board.

National Studies

68. Audit Scotland's carries out a range of studies each year which relate to the area of NHS performance. As NHS Quality Improvement Scotland carries out a very specific role in NHSScotland, relatively few of these have an immediate bearing on its operations. However, members and executives are encouraged to review and engage with the study reports and to identify what impact they may have for the organisation. The key reports are listed below and can be accessed on Audit Scotland's website at www.audit-scotland.gov.uk.

- A review of palliative care services.
- Day surgery in Scotland – reviewing progress.
- Review of NHS diagnostic services.
- Drug and alcohol services in Scotland.
- Overview of mental health services in Scotland.



Looking Forward

69. NHS Quality Improvement Scotland faces a number of challenges in 2009/10, which include:

- **Service development** – The Public Services Reform (Scotland) Bill proposes the establishment of Healthcare Improvement Scotland (HIS) combining all the current functions of NHS Quality Improvement Scotland, including Scottish Health Council, with the registration and regulation of the independent healthcare sector, currently discharged by care Commission. The proposals impose a significant change in the nature of activities which will be carried out by the new body as compared with NHS QIS, with an increased emphasis on scrutiny, and responsibility for the former Care Commission complaints function. The establishment and transition period will stretch management capacity and could impact on its core work programme, during a challenging funding period.

In addition to the management of the major structural reorganisation noted above, from 1 April 2009, NHS QIS also took on the responsibility for the newly instituted Healthcare Environment Inspectorate. Its remit is to inspect Scottish hospitals, ensuring the highest standards of infection prevention and cleanliness in order to help reduce infections within hospitals and raise public confidence. This entirely new inspectorate, with approximately 25 staff, is to be fully functional by September 2009.

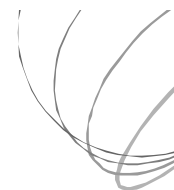
- **International Financial Reporting Standards (IFRS)** – Officers are required to prepare shadow accounts under IFRS for 2008/09 by September 2009. The move to full compliance in 2009/10 will require significant resource and it will be important that these issues are addressed early in 2009/10.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how NHS Quality Improvement Scotland is addressing this developing area as part of the 2009/10 audit.



- **Efficiency, future funding and economic developments** – Budgets for 2009/10 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on leases and infrastructure accounting. The challenge for NHS Quality Improvement Scotland 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 delivery of its services.

- **Best Value** - The concept of Best Value is seen as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year, particularly in the area of Use of Resources. NHS Quality Improvement Scotland will wish to respond to this important initiative as it develops.

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



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	Finance team may not produce the full range of necessary information to comply with International Financial Reporting Standards, which will apply to 2009/10 accounts and the comparative figures for 2008/09.	Work is currently ongoing with PWC to complete the exercise within the time schedule. A meeting has been arranged with audit Scotland on 10 August 2009 to discuss progress and address any outstanding issues.	Acting Head of Finance	March 2010
2	NHS QIS will face a challenging year in maintaining financial stability while implementing structural changes. With limited increases in funding, there is a risk that if the efficiency savings are not achieved the organisation may not remain within financial balance.	Management is very aware of the issues surrounding the need to maintain financial stability against an inhospitable economic climate. Budgetary pressures and the need to achieve cash efficiencies are being actively addressed by the Executive Team in order to reach the necessary targets.	Chief Executive and ET	March 2010
3	Co-ordination of the Patient Safety Programme is led by QIS. Failure to continue the successful management of the programme could result in a reputational risk for the Board	The QIS SPSP reports into the QIS Steering Group on a quarterly basis and provides a project update, including management of risks. The Steering Group reports to the QIS Board and to SGHD and any concerns are escalated in this way.	Director of PSPA	Ongoing
4	NHS QIS may not meet its target level for Clinical Governance & Risk Management Standards before its next scheduled peer review.	The CGRM Implementation Group meets quarterly and reports to ET and the CGQA governance committee. At present QIS is on schedule.	Director of PSPA	May 2011
5	The data matches resulting from the 2008/09 National Fraud Initiative may not be investigated and resolved satisfactorily within the necessary timescale.	This activity is being pursued and regular updates will be provided to the Audit Committee as information becomes available. The aim is to complete the exercise on time.	Acting Head of Finance	March 2010
6	There may be insufficient management capacity to effectively progress the transition to Health Improvement Scotland and maintain current strategic initiatives.	The Chief Executive sits on the Change Delivery Group and ET members are feeding into the task groups. As these groups report, the implications for management capacity to progress the transition will become clearer. A risk register will be established by ET and high risks escalated to the board where necessary.	Chief Executive	April 2011
7	There is a risk that the new Healthcare Environment Inspectorate may not be fully staffed and operational by September 2009.	There is a signed off PID for HEI which includes recruitment, induction and inspection schedule. The Director of PSPA reports to ET and the Board on progress on an exceptions basis. At present QIS is on schedule.	Director of PSPA	September 2009