

NHS Quality Improvement Scotland

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

July 2010



 **AUDIT SCOTLAND**



NHS Quality Improvement Scotland

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Key Messages

Introduction

In 2009/10 we looked at the key strategic and financial risks being faced by NHS Quality Improvement Scotland (QIS). We audited the financial statements and also reviewed 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 2009/10. We have also concluded that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments, and relevant guidance, issued by Scottish Ministers.

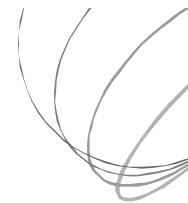
Financial position and use of resources

The public sector in Scotland is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are so tight. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Two per cent efficiency savings are unlikely to be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes.

The Board carried forward a £0.146 million surplus from 2008/09 before taking account of adjustments arising from the implementation of International Financial Reporting Standards (IFRS). As at 31 March 2010 the Board disclosed a cumulative surplus of £0.149 million.

The Board's financial statements include significant provisions for dilapidations costs, which are likely to be incurred in relation to its major property leases as these approach their expiry dates, and are, therefore, either extended or terminated. Accounting estimates and provisions, by their nature, include a degree of uncertainty, and any under-estimate in 2009/10 of these future costs could have a significant impact in future years.

In the medium to longer term the Board faces a number of challenges to maintaining its financial position. These include the requirement to meet the Government's savings targets, the costs of the transition from NHS QIS to NHS Healthcare Improvement Scotland (HIS) going into 2011/12, and uncertainty over the level of future funding uplifts.



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. The transition from NHS QIS to NHS HIS at the end of 2010/11, with the requirement to form a shadow board, will present a significant risk to ongoing operations and to governance and accountability processes if an appropriate degree of focus is not maintained on these areas.

We also 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

In 2009/10, NHS QIS achieved the national HEAT targets in relation to its financial targets, and improved its sickness absence rate to 2.4% (compared to a national target of 4%). It is currently on track to achieve the target for employee Knowledge and Skills Framework development reviews to be completed, and recorded on e-KSF, by 31 March 2011.

The Board has continued to progress work in improving the recording and reporting of performance information, in order to more clearly reflect performance against its work programme.

Looking forward

The final part of our report notes some key risk areas for NHS Quality Improvement Scotland going forward. There are significant challenges around future funding, transition to NHS HIS and the achievement of savings targets.

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 2009/10 audit of NHS Quality Improvement Scotland. The scope of the audit was set out in our Audit Plan, in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 11 March 2010. This plan set out our views on the key business risks facing the organisation, and described the work we planned to carry out on financial statements and on governance and performance arrangements.
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 this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

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





4. Where it has a bearing on the activities, risks or performance of NHS Quality Improvement Scotland, we make reference to the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Full copies of study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.

5. 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

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

Our responsibilities

7. 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.
8. 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

9. We have given an unqualified opinion on the financial statements of NHS Quality Improvement Scotland for 2009/10.
10. As agreed, the unaudited accounts were provided to us on 10 May 2010 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 21 June 2010 as outlined in our Annual Audit Plan.



Issues arising from the audit

11. 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 21 June 2010.

Regularity

12. 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 her view on adherence to enactments and guidance. No significant issues were identified for disclosure.

International financial reporting standards (IFRS)

13. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. As a prerequisite to this health boards were required to prepare shadow IFRS based accounts for 2008/09 to provide comparative figures for the 2009/10 IFRS based accounts. This exercise progressed well and provided a solid base for compiling the 2009/10 accounts.



Use of Resources

14. 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 and financial management.

The Board's financial position

Outturn 2009/10

15. 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

2009/10 Financial Targets Performance £ million

Financial Target	Target	Actual	Variance
Revenue Resource Limit	19.176	19.027	0.149
Capital Resource Limit	0.126	0.120	0.006
Cash Requirement	19.435	19.428	0.007

The Board has achieved a cumulative surplus of £0.149 million, having carried forward an adjusted surplus of £0.116 million from 2008/09. Table 2 below shows how the current year's surplus of £0.149 million was achieved through recurring funding and expenditure, and a break even position achieved from non recurring funding and expenditure.



Table 2

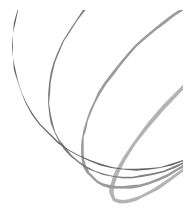
Funding Position 2009/10

	£ Million	£ Million
Recurring income	17.791	
Recurring expenditure	18.160	
Recurring savings	0.518	
Underlying recurring surplus/(deficit)		0.149
Non-recurring income	1.453	
Non-recurring expenditure	1.669	
Non recurring savings	0.216	
Non-recurring surplus/(deficit)		0.00
Financial surplus/(deficit)		0.149
Underlying recurring surplus/(deficit) as a percentage of recurring income		0.84%

Financial sustainability and the 2010/11 budget

16. There were tighter financial settlements in 2009/10 with a general uplift of 3.15%. This was consistent with the uplift received in 2008/09 but considerably lower than the uplifts awarded in the preceding years. The downward trend has continued in 2010/11 with SGHD confirming a general uplift of 2.15%. Furthermore SGHD has indicated that future funding uplifts may be around 1%. This will have a significant impact on long term financial planning and the control of pay and non pay costs.
17. NHS QIS is forecasting a broadly breakeven position for the years 2011/12 and 2012/13 following transition to NHS HIS from April 2011. However, the financial commitments and funding structure for the successor organisation are still somewhat uncertain, so significant revision to these estimates can be anticipated.
18. In the short term, it should be noted that the 2010/11 uplift of 2.15% compares with a pay settlement for 2010/11 of approximately 2.25%, and that NHS QIS has a target for efficiency savings to be made of around £0.5m. In addition, significant one off costs are anticipated in connection with proposed accommodation moves, and the transition to NHS Healthcare Improvement Scotland. The coming financial year is therefore set to be extremely challenging, with financial constraints increasing in the years beyond.

Risk area 1



19. In the medium to longer term the Board faces a number of challenges to maintaining its financial position. These include the requirement to develop comprehensive cost savings plans to achieve recurring savings, pay increases and utility costs, and the uncertainty over the level of uplifts. The public sector as a whole is facing a difficult time ahead as emphasised in the Auditor General for Scotland's report '*Scotland's public finances: preparing for the future*' (February 2010) which is considered in more detail below.

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.



Governance and Accountability

20. 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.
21. 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

22. This year we reviewed:
 - internal audit (paragraph 38)
 - key systems of internal control (paragraphs 33 to 35)
 - arrangements for the prevention and detection of fraud and irregularity (paragraphs 39 to 41)
 - commitment to the National Fraud Initiative (paragraphs 42 to 48).
23. Our overall conclusion is that governance and accountability arrangements within NHS Quality Improvement Scotland are sound and have operated throughout 2009/10.

Patient safety and clinical governance

24. 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.
25. 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. Throughout 2009/10, NHS Quality Improvement Scotland has continued in its role of co-ordinating and supporting the national Scottish Patient Safety Programme (SPSP). Their role has involved organising learning sessions including all NHSScotland boards, co-ordinating the testing and implementation of changes emanating from the five programme workstreams, organising capability and capacity building events and disseminating information across NHSScotland. Individual projects making up the programme have been running in



accordance with the overall timetable. However, there may be a potential risk to the organisation's reputation if management of the Programme is not viewed as being effective by user boards, and there may be an increased risk of these standards slipping as a result of activity connected with the transition to HIS.

Risk area 2

26. We noted in our audit plan that the Board was considered by management to be on track in addressing the outstanding clinical governance and risk management (CGRM) issues raised in the 2008 peer review. Progress against an updated action plan has been regularly monitored by the CGRM Implementation Group, which reports quarterly to the Executive Team and the Clinical Governance and Quality Assurance Committee. In terms of NHS QIS' own assessment scoring against CG&RM standards, the target was to attain level 4 by the next scheduled peer review which took place in May 2010. Management acknowledged that the achievement of the target level would be demanding, so there is a risk that when the review findings are received later this year, the report may not reflect the required improvement.

Risk area 3

Partnership Working

27. Partnership working in the NHS covers a number of areas, including partnerships with staff groups, local authorities, the voluntary sector, private healthcare providers and regional planning with other NHS boards.
28. 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.
29. We noted in our audit plan that preparations for the transition to NHS HIS from April 2011 could potentially impact on existing partnership arrangements, and that management would have to ensure that the transition to the successor body was managed without any adverse effects on ongoing partner relationships. This remains a risk for the organisation going forward.

Risk area 4



Systems of internal control

30. 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 2009/10 Scott Moncrieff, the Board's internal auditors, provided their opinion that, based on the internal audit work undertaken during the year, NHS QIS has an adequate and effective internal control system that provides reasonable assurance regarding the achievement of objectives and the management of key risks. They identified no major weaknesses in the system of internal control, and found no issues which required specific mention in the Statement on Internal Control.
31. 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 and general ledger. Our overall conclusion was that NHS Quality Improvement Scotland has adequate systems of internal control in place. We identified 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.
32. 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. The work of internal audit provides us with additional assurances on the adequacy of the internal control environment within NHS QIS.

Statement on internal control

33. 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. The 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.
34. Among other developments during the year, the SIC also drew attention to the development of an integrated management system to assist in programme management, and the continuing development of the performance reporting system designed to integrate time recording and financial information systems, but did not refer to any areas which required to be strengthened.



Internal Audit

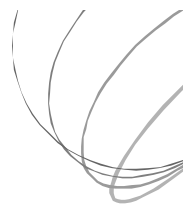
35. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible. Also, as part of our risk assessment and planning process for the 2009/10 audit we assessed 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 relevant Internal Audit Standards and has sound documentation standards and reporting procedures in place. We therefore placed reliance on their work in a number of areas during 2009/10, as we anticipated in our annual audit plan.

Prevention and detection of fraud and irregularities

36. NHS Quality Improvement Scotland has in place a number of measures to prevent and detect fraud including Standing Financial Instructions, a Code of Conduct for staff and policies covering 'whistleblowing' and fraud.
37. Additionally, 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.
38. Furthermore, Counter Fraud Awareness sessions were held in February 2010, in conjunction with Counter Fraud Services, which were attended by a large number of staff members.

NFI in Scotland

39. During the year, NHS QIS took part in the 2008/09 National Fraud Initiative (NFI) in Scotland. The NFI in Scotland is a counter-fraud exercise led by Audit Scotland, assisted by the Audit Commission (our sister organisation in England). It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
40. NFI allows public bodies to investigate these matches and, if fraud or error has taken place, 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.
41. As part of our local audit work we carried out a high level assessment of NHS QIS' approach to the NFI. We concluded that the Board is proactive in preventing and detecting fraud including participation in the NFI. The Board's Head of Finance reviewed all data matches, and provided regular reports to the Audit Committee on anti-fraud activities including updates of NFI investigations.



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



Performance

46. 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. Additionally, it includes 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 service users and other stakeholders.

Vision and strategic direction

47. The Corporate Plan 2010/11 outlines the vision of NHS Quality Improvement Scotland as ***“An organisation that delivers internationally recognised excellence in improving the quality of the care of every patient in Scotland every time they access healthcare.”***
48. The organisation’s purpose is clearly stated in the corporate plan as being **“...to advise, support and assess NHS boards in order to help improve the quality of healthcare for the people of Scotland.”** The work programme for 2010/11 has been aligned with national priorities and has been designed to match the aims of the government’s Healthcare Quality Strategy.
49. The plan incorporates four corporate objectives:
- **improving quality** – to lead advances in the quality of care in NHSScotland based on a continually refreshed framework for quality improvement
 - **making an impact** – to make a demonstrable impact on the quality of patient care and treatment
 - **sharing the knowledge** – to contribute to the advancement and understanding of quality improvement
 - **working effectively** – to ensure NHS QIS delivers its functions effectively and efficiently.

Managing risk

50. 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.



51. The main risk areas are:
- Securing Financial Stability
 - Service Redesign and Sustainability
 - Effective Partnership Working
 - Patient Safety and Clinical Governance
 - Capacity to Deliver
 - Scrutiny and Governance.
52. These areas are addressed elsewhere in this report. Each of these areas is complex and comprises of 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

53. Ministers announced, on 6 November 2008, the establishment of NHS Healthcare Improvement Scotland (HIS), which will combine all the current functions of NHS QIS, including the Scottish Health Council and the Healthcare Environment Inspectorate, with the registration and regulation of independent healthcare currently carried out by the Care Commission. The transition to the successor body will take place on 1st April 2011, and the Board has identified the most important aspect of this change as being the need to maintain business continuity.
54. Management has been working closely with the Scottish Government's Scrutiny Project Change Delivery Group, principally through an internal HIS Transition Group, in progressing the necessary revisions to governance and accountability arrangements. A business model was produced to aid the process for identifying the practical issues which would impact on the new body, and a project plan formed to manage the transition in detail. These mechanisms were generated by NHS QIS management, so are subject to revision by the shadow management team once it is in place. The current timetable is for the shadow Board to be appointed on 31 December, 2010, so that the handover process can begin in January, 2011.
55. A draft operating plan 2011/12 for NHS HIS has now been produced and submitted to the Scottish Government. However, much of the operational details for the new body are still being developed. In particular there are significant issues around the matching of financial resources to the responsibilities of the new organisation. The transition process presents a significant challenge to management and staff in ensuring that day to day operations of NHS QIS and the Care Commission are not compromised in the lead up to the transition, and that governance and accountability processes are transferred effectively to the successor body.

Risk area 5



56. A new inspectorate, the Healthcare Environment Inspectorate (HEI), was established in April 2009, as part of NHS QIS, to inspect and report on NHS boards' performance in preventing and controlling healthcare associated infection. This Inspectorate published policies and procedures, and commenced an inspection programme in September 2009. The plan is that all NHS boards will have had at least one formal inspection by September 2010, and that HEI will carry out inspections at each acute hospital in NHSScotland at least once every three years. Published findings from the inspections carried out to date have been largely well received by NHS Boards and other stakeholders, however, there is a risk that the transition to the new body could impact on the momentum of the HEI programme, and that the impact of future activity might be reduced.

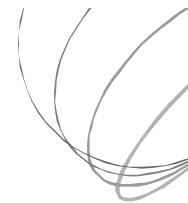
Risk area 6

Performance Overview

57. Only two of the SGHD's non financial HEAT targets are directly relevant to NHS QIS and these are the achievement of a sickness absence rate of 4%, and the target of having 80% of employees with their annual Knowledge and Skills Framework (KSF) development reviews completed and recorded on e-KSF by 31 March, 2011. Sickness absence rate is currently 2.4% and expected to improve, and as at 31 March 2010, KSF development reviews were on track to achieve the target, with 45% recorded in e-KSF.
58. NHS Quality Improvement Scotland has successfully delivered its 2009/10 Work Programme, as set out in its 2009/10 LDP. Substantially all of the planned projects were delivered on time, with only 6 projects running behind their original deadlines, representing 6.9% of projects on the work programme.

Performance Management

59. NHS QIS has continued to develop improved board performance reporting arrangements, based on feedback from users. For 2010/11, reporting of performance will be based around the integrated work programme rather than being based on the directorate structure. Further development is ongoing in order to achieve the full benefits from this change in reporting. In particular, time recording data and information on project status is being improved. A key feature going forward is the Integrated Management System (IMS) being introduced in 2010/11, which will enable the organisation to performance manage each project or programme of work from inception to completion.
60. The Annual Review in October 2009, chaired by the Minister for Public Health and Sport, highlighted priorities for 2009/10, including improved alignment of the work programme with NHSScotland and Scottish Government policies, planning for the establishment of NHS Healthcare Improvement Scotland and maintaining the progress and momentum of Healthcare Environment Inspectorate activity.



Improving public sector efficiency

61. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provided a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
62. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the most significant since devolution – and making the required savings through efficiency will become increasingly difficult.
63. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.
64. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

Extract from Audit Scotland report *Improving public sector efficiency*

In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.



65. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.

National Studies

66. Audit Scotland's Public Reporting Group undertakes a programme of national studies each year in consultation with key stakeholders. The findings and key messages of these studies are published in national reports which are publicised and widely distributed. Table 3 below details the reports issued during 2009/10. In addition they are also available on Audit Scotland's website (www.audit-scotland.gov.uk). Audit Scotland's expectation is that NHS boards should consider the findings contained in national reports and identify actions to be taken locally.
67. Audit Scotland's national reports are generally not of direct significance to NHS QIS' Board and governance committees, and are unlikely to contain findings or recommendations which would require specific action by NHS QIS as a special health board. However, an operational protocol exists between NHSQIS and Audit Scotland for sharing intelligence and work planning. The findings from Audit Scotland's national work are shared with QIS, and vice versa, as a matter of course, to help inform the scrutiny work of both bodies and avoid duplication of effort.

Table 3

Audit Scotland national performance reports issued during 2009/10

Report Title	Date of Publication
Managing the Use of Medicines in Hospitals – Follow-up Review	16 April 2009
Overview of Mental Health Services	14 May 2009
Improving Public Sector Purchasing	23 July 2009
Scotland's Public Finances: Preparing for the Future	5 November 2009
Overview of the NHS in Scotland's Performance 2008/09	10 December 2009
Improving Public Sector Efficiency	25 February 2010
Managing NHS Waiting Lists	4 March 2010
Review of Orthopaedic Services	25 March 2010



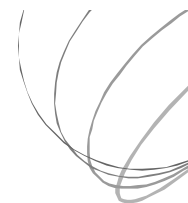
Looking Forward

68. NHS Quality Improvement Scotland faces a number of challenges in 2010/11, which include:

- **Financial management and affordability** – The financial settlement in 2010/11 provides an uplift of 2.15% which may reduce in 2011/12 given the current economic situation and the impact of the recent UK Government emergency budget in June 2010. This will have a significant impact on long term financial planning and the control of pay and non pay costs. The Financial Plan for 2010/11 indicates that the Board is forecasting a small surplus for the years 2011/12 and 2012/13 following transition to NHS HIS from April 2011. However, the financial commitments and funding structure for the successor organisation are still somewhat uncertain, so significant revision to these estimates can be anticipated.
- **Efficiency, future funding and economic developments** - Scottish public bodies reported more efficiency savings than the Government's two per cent target in 2008/09, but there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. NHS QIS needs to find £1.8 million of savings over the next three years to achieve financial balance. The challenge for NHS QIS is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives, while significantly redeveloping its structure and activities.
- **Service redesign and sustainability** – Transition to NHS HIS/Independent Healthcare regulatory activity will result in recurring cost pressure on the Board's financial plan in future years. More significantly, the organisation's governance and accountability arrangements will be tested in taking on the potential new inspection role arising from the Care Commission responsibilities transferred.
- **VAT increase** – The Chancellor's emergency budget on 22 June included an increase in VAT from 17.5% to 20% from January 2011. It has been reported that the VAT increase will increase the cost of supplies across the NHS in Scotland by £26 million. The increase in VAT could pose an additional risk to the Board's financial position.
- **Best Value** - The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. NHS Quality Improvement Scotland should continue to respond to this important initiative as it develops.



69. 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	There is a risk that the Board may not be able to achieve financial balance in 2010/11, due to significant one off costs which are anticipated, and due to the uncertain financial cost in relation to progressing the transition to HIS.	The HIS Continuity and Transition Group has responsibility for managing the move to HIS including any costs incurred in that process. A budget exists and there is no reason to believe that this will be exceeded. This will be kept under review.	Director of Planning & Resource Management	31 March 2011
2	There may be a reputational risk to the organisation, if the effective management of the SPSP is affected by the transition to HIS.	Ahead of the transition to HIS, the Scottish Patient Safety Programme has been transferred into the Directorate of Improvement and Implementation (with effect from 1 August 2010). This will allow a longer lead time for the Programme to be embedded in the new structure and align it with our Integrated Cycle of Improvement.	Interim Director of Implementation and Improvement Support	31 March 2011
3	There is a risk that the target assessment levels for Clinical Governance and Risk Management Standards are not achieved.	We have successfully achieved the target assessment levels for CGRM standards. This programme is now under review as part of the transition to HIS.	Executive Team	31 March 2011
4	There is a risk that the ongoing partnership arrangements may be adversely affected by transition to HIS.	We are satisfied that partnership arrangements with staff are robust. Partnership Forum will continue as normal and there is partnership representation in the HIS transition process. Communication with external partners is ongoing and there will be targeted stakeholder engagement in the run up to the launch of HIS.	Chief Executive/Employee Director Head of Communications	31 March 2011 31 March 2011
5	There is a risk that the day to day operations of NHS QIS may be compromised by the transition process, and that governance and accountability processes are not transferred effectively to the successor body.	Executive team is responsible for ensuring continuity within their areas of responsibility. The HIS Continuity and Transition Group is responsible for ensuring that governance and accountability processes are transferred to or developed for the new organisation. These will be subject to sign off by the HIS Shadow Board.	Executive Team	31 March 2011



Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
6	There is a risk that the transition to the new body could impact on the momentum of the HEI programme, and that the impact of future activity might be reduced.	<ul style="list-style-type: none">▪ Recruitment of experienced inspectors to ensure inspections are robust, risk-based and patient focused.▪ Recruitment of 3 experienced locums to cover holidays and maternity leave.▪ Monthly planning and monitoring of inspection programme to ensure all inspections are complete and reports published.▪ Performance reporting to NHS QIS Board commenced June 2010.▪ HIS operating plan has set out clearly the need to meet the mandate set by Cabinet Secretary in March 2009 that every acute hospital in Scotland will have at least one announced and one unannounced inspection in 3 years.▪ Processes are in place to ensure improvement action plans are followed up and requirements met.	Chief Inspector	31 March 2011