

# NHS Audit

**Holding to account, helping to improve**

**A sector plan for 2009 - 2012**

# Contents

<b>Introduction</b>	<b>1</b>	<b>Appendix 1 – NHS audit appointments 2008/09 – 2010/11</b>	<b>29</b>
Audit Scotland and the principles of public audit	1		
Purpose of the sector plan	1	<b>Appendix 2 - Programme of performance audits 2009-10</b>	<b>30</b>
Period of the plan	2		
<b>Achieving our vision, objectives and priorities</b>	<b>3</b>		
Our vision	3		
Our objectives	3		
Our priorities	4		
How the sector plan contributes	6		
<b>What we will do in health audits to deliver our vision, objectives and priorities</b>	<b>9</b>		

# Introduction

## **Audit Scotland and the principles of public audit**

1. Audit Scotland provides services to the Auditor General and the Accounts Commission to support accountability and improvement across the public sector. Our vision is to provide assurance to the people of Scotland that their money is spent appropriately and help public sector organisations in Scotland improve and perform better.
2. One of the fundamental principles of public audit is that it is independent – both of government and of the bodies that we audit. However, we must still work effectively within the overall system of governance and accountability, ensuring that our work is relevant to government and service providers and where possible responding to issues of concern to the Scottish Parliament and the public.
3. We will ensure that our work adds value and responds appropriately to the constantly changing public sector in which we operate. Audit Scotland must also adapt to the changing public sector landscape and emerging public policy and legislative developments. We know from our stakeholder consultation for our 2009-12 corporate plan that the most pressing issues facing our stakeholders and public bodies over the next five years are:
  - increasing pressure on public spending
  - increasing emphasis on more efficient working
  - the continuing need for high standards of corporate governance, financial management and control
  - the need to deliver more efficient and effective scrutiny and accountability.

## **Purpose of the sector plan**

4. This sector plan sets out how Audit Scotland and our partner firms will contribute to the achievement of Audit Scotland's corporate priorities 2009-12 through the audit of NHS bodies.
5. We take account of the evolving political context, the development of single outcome agreements, new service delivery arrangements, the priorities of public bodies and stakeholders, and the growing focus on diversity, equality and environmental sustainability.

## **Period of the plan**

6. This sector plan aligns with Audit Scotland's 2009-12 corporate plan and covers the period January 2009 to December 2012. We will report annually on the delivery of this plan and update it as necessary, as part of the wider annual review of our corporate plan.

# Achieving our vision, objectives and priorities

## Our vision

7. Audit Scotland's vision is to “***provide assurance to the people of Scotland that their money is spent appropriately and help public sector organisations in Scotland improve and perform better***”.

## Our objectives

8. Working on behalf of the Auditor General and the Accounts Commission, ***our core objectives are to hold public bodies to account and help them to improve***. We will do this by:
  - conducting excellent risk-based audits of the public sector in Scotland and report on them in public
  - systematically identifying and promoting good practice to help public bodies in Scotland to improve.

## Getting the balance right

9. A key message from the stakeholder consultation for our 2009-12 corporate plan is that we can improve the balance between holding to account and helping to improve, and there is an appetite for us to do more to support improvement.
10. Over the period of this plan, we aim to improve our approaches to identifying good practice and helping NHS bodies improve. These developments fall into three main categories:
  - capturing and sharing examples of good practice already based on audit evidence
  - promoting good practice, for example through checklists and Best Value toolkits
  - reporting improvement challenges and improvement follow-up.

## Supporting accountability and improvement

11. In order to support our core objectives we carry out several different strands of audit activity:
  - audit procurement and quality assurance
  - annual audits
  - performance audits
  - best value audits.
12. These strands are delivered within a single overarching framework to ensure that all our activities are coordinated and minimise duplication of effort.

## Our priorities

13. As a result of changes in the public sector and the wider environment, the key issues facing our stakeholders and public bodies, and the feedback from our stakeholder consultation, we have set the following priorities for the next five years:
  - Deliver more streamlined audit in partnership with other scrutiny bodies.
  - Maximise our contribution to the improvement of public services.
  - Improve the impact of our work.
  - Become a centre of excellence for public audit.
  - Increase the transparency of our costs and governance arrangements.

## How it all fits together

14. Exhibit 1 illustrates our vision, objectives and supporting activities to achieve our priorities.

### Exhibit 1 - Our vision, objectives and supporting activities



## Measuring our impact

15. We are committed to maximising the impact of our work and providing more evidence on the impact our work has had. However, measuring the impact of audit is complex. Audit can, and does, identify areas for potential improvement but improvement only happens if public bodies make changes in the way they do their work.
16. Audit Scotland has developed a framework for assessing and reporting on the long-term impact of our work. We have identified four areas where we expect our work to have an impact and contribute to improvements:
  - assurance and accountability
  - planning and management
  - economy and efficiency
  - effectiveness and quality.
17. The balance between these four categories will differ depending on the nature of the work. The impact of our work depends on the extent to which we cover the right issues, how well we do the audits, the relevance and accessibility of our reports and how effectively we engage with our clients and stakeholders. Our work has a key role in assisting non-executive and elected members to fulfil their scrutiny function and supporting the Parliament's Public Audit Committee, MSPs and ministers in the overall scrutiny of Scottish public spending.
18. The impact framework is a useful tool in corporate and business planning, helping us to prioritise work and providing a more systematic approach to demonstrating our overall effectiveness. We use the framework to identify the impact of our work, in particular performance audits and to capture evidence of the ongoing impact of our work. We provide impact reports to the Auditor General and Accounts Commission on an ongoing basis and these are published on our website.
19. We will continue to develop arrangements for identifying and measuring the impact of our work along with a range of performance measures to do this.

## How the sector plan contributes

20. The sector plan translates the overarching vision, objectives and priorities set out in Audit Scotland's Corporate Plan 2009-12 into specific activities for our work in the health sector (including cross-sector work that may be led by another sector team). It identifies any risks to these activities and how we plan to manage them. It also sets out how we will measure our performance.

21. The plan has a number of inter-linked purposes:

- To align audit activity in the health sector through effective partnership working across Audit Scotland and with the firms.
- To create a shared understanding about what Audit Scotland is trying to achieve in the health sector, through its own staff and the partner firms and how we are going about achieving it.
- To ensure coordination with sector plans for central government and local government so that an integrated audit approach is adopted.
- To provide the basis for the allocation of tasks to individuals, teams, and business groups, improving coordination between different groups and individuals.
- To identify the resources (people, money and other) that will be required for future success and to budget and plan for these.
- To provide a framework for the management of our performance in the health sector, including overall outcome and success measures.

## Partnership working

22. Work set out in the plan will be carried out in partnership between Audit Services Group (ASG), Public Reporting Group (PRG), and partner firms employed in the health sector, with the support of Audit Scotland's other business units – Audit Strategy and Corporate Services.
23. Broadly, ASG and the firms take the lead on reporting to individual clients (local reporting) while PRG leads on reporting to wider stakeholders (national reporting).
24. A central element of the sector plan is to serve as a mechanism to ensure that Audit Scotland staff and the partner firms effectively work together to maximise the value of the audit. A key aim of the process is to align the work of ASG, PRG and the firms so that all parties focus on key audit issues. The key mechanism for this joint approach is sector meetings. Sector meetings provide a forum for discussing emerging issues and intelligence more generally and for jointly focusing audit activity across Audit Scotland and our partner firms. ASG and PRG also meet regularly throughout the year.

## Monitoring progress against the sector plan

25. The plan outlines what we will do to deliver against our objectives and how we will measure performance. The Health Assistant Directors will monitor those areas where responsibility for delivery is shared as well as the overall delivery of the sector plan. Progress will be reported to the Directors Group on a quarterly basis.

26. Progress against the sector plan will reported to Management Team every six months.

# What we will do in health audits to deliver our vision, objectives and priorities

1. Ensuring that we are recognised and respected as an independent and authoritative body			
Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>To ensure that our work is making a difference and leads to real improvements it is essential that we are recognised for our independence and that we have a strong reputation for our professionalism and expertise.</p>	<ul style="list-style-type: none"> <li>• Continue to contribute to the development of professional accounting and auditing standards through our membership of bodies such as the Financial Reporting Advisory Board, CiPFA and the Auditing Practices Board Public Sector sub-committee.</li> <li>• Support public bodies through implementation of International Financial Reporting Standards (IFRS).</li> <li>• Conduct annual audits of NHS bodies which provide assurance on the true and fair presentation of accounts, and whether bodies have sound governance and internal control procedures.</li> <li>• Provide public reports on the outcome of audits which add value to the organisations, and inform the public about their performance</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient guidance and support to staff on developments in professional accounting and auditing standards. We will manage this risk by having an audit guide and standard documentation in place and Technical Services Unit providing support and guidance to staff. In addition, all relevant staff have received IFRS training and we will continue to provide other support and guidance as necessary.</li> <li>• We are unable to certify accounts in sufficient time to enable them to be laid in accordance with statutory deadlines. We will manage this risk by agreeing accounts preparation and audit timetables with audited bodies, and actively monitoring progress to ensure that timetables are met.</li> </ul>	<ul style="list-style-type: none"> <li>• Receive positive stakeholder and client feedback - from regular surveys on the quality of the annual audit.</li> <li>• Maintain our membership and representation on professional bodies.</li> <li>• Respond promptly and appropriately to requests for advice.</li> <li>• Develop our international work with other audit agencies in line with our international strategy.</li> <li>• Increase, or at least maintain, the percentage of recommendations accepted by public bodies from our annual</li> </ul>

## 1. Ensuring that we are recognised and respected as an independent and authoritative body

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>and areas for improvement.</p> <ul style="list-style-type: none"> <li>Promote sound financial management and high standards of governance throughout the sector by focusing on them through the annual audit process.</li> <li>Deliver our programme of performance audits, publishing at least 3-4 reports each year that focus on national issues and highlight issues relating to good governance, accountability, use of public resources, scope for financial savings, performance and improvements in public services. In addition to our published programme, we will carry out reviews of significant issues of public concern which are referred by the Auditor General for investigation.</li> <li>Produce reports that are clear, timely and achieve maximum impact. We will do this by ensuring our reports are written in plain language, have clear and practical recommendations, and contain performance indicators which allow us to measure impact at</li> </ul>	<ul style="list-style-type: none"> <li>Our performance audit reports are not focused on areas that add value or meet the needs and expectations of audited bodies or stakeholders. We will address this by keeping up-to-date with developments, having a Project Advisory Group for each of our projects and consulting with stakeholders on our performance audit programme to ensure that it covers key risk areas.</li> <li>Failure to deliver each project in our performance audit programme to time and quality standards or publishing reports which do not add value. We will ensure that all projects are carried out in accordance with our Project Management Framework and monitor their progress through our Management Information System.</li> <li>Responding to issues of public concern without considering the needs or potential impact on our programmes of work, including annual audits and performance audits. We will subject any issues of public concern referred to us to a robust risk assessment, consider the resources</li> </ul>	<p>audits and national performance audits.</p> <ul style="list-style-type: none"> <li>Have our findings and recommendations in national performance audit reports endorsed by the Scottish Parliament's Public Audit Committee.</li> <li>Increase the number of external workshops that we host to promote our reports and improvement tools.</li> <li>Increase, or at least maintain, the number of articles published which promote our findings.</li> <li>Respond to correspondence within specified targets and deal with correspondence consistently.</li> <li>All staff and other auditors are aware of professional and</li> </ul>

## 1. Ensuring that we are recognised and respected as an independent and authoritative body

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>a later date and follow up where necessary.</p> <ul style="list-style-type: none"> <li>• Present our reports, and provide briefings and other evidence, to the Parliament’s Public Audit Committee and other committees as appropriate. We will provide support to the Auditor General by preparing briefing papers for committees and speaking notes in sufficient time to allow adequate preparation.</li> <li>• Develop an approach to auditing Best Value (BV) in the health sector, which aligns with the development of the audit of BV in central government and with BV2 in local government. We will build this approach incrementally into the local audit process through the use of BV toolkits. The main vehicle for reporting will be through the annual audit report but findings will also be reflected in national performance audit reports.</li> <li>• Continue to contribute to a programme of international work in partnership with other audit agencies to support developing countries in building audit and financial management</li> </ul>	<p>needed to deliver any outputs and the impact on our overall work before accepting them into our work programme.</p> <ul style="list-style-type: none"> <li>• The Parliament’s Public Audit Committee and subject committees not finding our briefings helpful or informative. We will address this by working with committee clerks to ensure that we capture the issues that are of particular interest to members.</li> <li>• Failure to develop an approach to Best Value in the health sector which aligns with the rest of the public sector and does not provide assurance to the health sector or wider stakeholders. We will manage this risk by joining up our approach with BV audit of central government and BV2 in local government developments to ensure a consistent and proportionate approach. We will consult regularly with the Auditor General, the Accounts Commission and representatives of NHS bodies.</li> <li>• Failure to investigate sufficiently issues raised</li> </ul>	<p>technical developments and have access to appropriate support and guidance.</p>

## 1. Ensuring that we are recognised and respected as an independent and authoritative body

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>capacity.</p> <ul style="list-style-type: none"> <li>• Liaise with the media, as appropriate, to promote our work by taking opportunities to contribute to specialist publications and articles about our work. In liaising with the media, we will aim to ensure as far as possible, that all media coverage provides an accurate reflection of our findings.</li> <li>• Respond effectively to correspondence from MSPs, members of the public and others who raise concerns about the use of central government funds.</li> <li>• Ensure that we comply with ethical standards.</li> </ul>	<p>through correspondence which could result in NHS bodies having poor processes or performance. Our new correspondence handling arrangements will ensure that we are consistent in our approach to dealing with correspondence, including judgements being made.</p> <ul style="list-style-type: none"> <li>• Failure to comply with ethical and other professional standards. We manage this through application of our ethical policy requirements.</li> </ul>	

## 2. Engaging and communicating with our key stakeholders, clients, partners and other scrutiny bodies

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>Close engagement and communication ensure that we identify appropriate topics for our audit work. Closely engaging and partnering with other scrutiny bodies and improvement agencies also helps avoid duplication of effort and maximises our contribution to the improvement of public services.</p>	<ul style="list-style-type: none"> <li>• Build effective relationships with our NHS clients by ensuring that we have open and clear dialogue with them.</li> <li>• Provide clear information to NHS bodies on how our work links with internal audit.</li> <li>• Continue to attend client audit committees and represent Audit Scotland at regular meetings with officials.</li> <li>• Maintain and develop relationships with the NHS Chairs' and Chief Executives' groups and other sector groups as appropriate.</li> <li>• Continue to build effective relationships with the Parliament's Public Audit Committee and its subject committees</li> <li>• Work in partnership with other scrutiny bodies and improvement agencies to develop a shared understanding of the priorities and risks for the health sector and tailor our work to reflect local risks and priorities; and to avoid duplication of effort and maximise the</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to develop a programme of performance audits which addresses the key priorities and risks in the sector. We will manage this risk through regular consultation with the Auditor General and Accounts Commission to determine their priorities. We will also engage with NHS bodies – both through regular contact by local auditors and targeted discussions by senior staff in PRG – to ensure we develop proposals which cover the key issues and risks in the programme.</li> <li>• Failure to promote our work and its added value with the Parliamentary committees. We will manage this by engaging with the committee clerks and looking for opportunities to engage the committees in Audit Scotland's work.</li> <li>• Failure to get agreement with NHS bodies on our approach to auditing Best Value in the sector. We will manage this risk by engaging with senior representatives of the sector, explaining our approach and rationale.</li> <li>• Failure to comply with statutory requirements by</li> </ul>	<ul style="list-style-type: none"> <li>• Receive positive feedback from our stakeholders on our work.</li> <li>• Increase, or at least maintain, our attendance at audit committees in the NHS.</li> <li>• Increase invitations to provide oral or written evidence to Parliamentary committees.</li> <li>• Improve the contribution we make to seminars and conferences.</li> <li>• NHS bodies are considering and acting upon the findings and recommendations in our national performance audit reports.</li> <li>• We are able to promote our programme of performance audits and findings from our national reports through attendance at bodies' audit committees.</li> </ul>

## 2. Engaging and communicating with our key stakeholders, clients, partners and other scrutiny bodies

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>contribution to the improvement of public services.</p> <ul style="list-style-type: none"> <li>• Develop and consult on a new programme of performance audits for 2011 onwards which reflects the key issues and priorities of the sector and the priorities of the Auditor General and Accounts Commission.</li> <li>• Engage with NHS bodies on our approach to auditing Best Value in the wider public sector.</li> <li>• Carry out equality impact assessments for our work in consultation with NHS bodies.</li> <li>• Host and attend sector meetings to share information and knowledge relevant to the health sector, the wider public sector in general and other developments.</li> <li>• Work closely with other audit, regulation and inspection agencies by seeking opportunities for joint working eg studies where comparisons can be made across the UK or audit methodologies shared with other audit agencies.</li> <li>• Continue to share good practice and</li> </ul>	<p>not carrying out equality impact assessments or doing this in consultation. We have a programme of equality impact assessments agreed which has been agreed by Audit Scotland's Equality and Diversity steering group.</p> <ul style="list-style-type: none"> <li>• Not learning from other audit agencies or sharing our experiences. We will regularly meet with other UK audit agencies to discuss approaches, share experiences and identify areas for joined-up working. We will meet with other non-UK audit agencies where this is appropriate and helpful.</li> <li>• Findings and recommendations from our national reports are not implemented, reducing their impact. All local auditors will follow up progress with national reports with individual bodies and report this to PRG twice a year.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to engage with the NHS on developing our approach for Best Value in health through the NHS Chairs' and Chief Executives' groups and other meetings.</li> <li>• Prepare equality impact assessments, as appropriate, and publish these on our website.</li> <li>• Increase NHS bodies' awareness of our work, including annual audits, the programme of national and individual performance audits and our approach to the audit of Best Value.</li> <li>• Contribute to or host regular meetings with other UK audit agencies and scrutiny bodies to seek opportunities for joint working and discuss and share</li> </ul>

## 2. Engaging and communicating with our key stakeholders, clients, partners and other scrutiny bodies

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>information with other UK audit agencies to ensure that we learn from each other and contribute to building audit capacity in the UK.</p> <ul style="list-style-type: none"><li>• Follow up on our national performance audit reports to ensure actions are implemented, promote good practice and support improvement.</li></ul>		<p>our methodologies.</p>

### 3. Understanding the external environment and policy context

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>To ensure our work is relevant and adds value, we have to understand and respond to the changing public sector landscape and policy priorities.</p>	<ul style="list-style-type: none"> <li>• Develop a Priorities and Risk Framework (PRF) which identifies the key risks and issues across the sector and ensure that this is used to inform our annual audit planning and risk assessment for audited bodies.</li> <li>• Respond proactively to changes in the public sector landscape, including governance arrangements and financial sustainability.</li> <li>• Host effective sector meetings regularly throughout the year to share information and promote good practice and consistency of approach.</li> <li>• Develop and deliver a programme of performance audits that reflects the external environment and policy context, responding to issues as they emerge.</li> <li>• Take opportunities to contribute to sharing our findings and promote good practice through presenting at and attending conferences and seminars, delivering external workshops and developing our website to include examples of good practice to support improvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Developing a PRF that doesn't reflect the priorities and risks in the NHS and is not used to focus our resources. We will address this risk by involving our clients and stakeholders in the development of our PRF to ensure it covers the right areas and we have agreements of the priorities and risks in the sector.</li> <li>• Information and intelligence is not shared for the health sector. We will ensure that standard agendas for sector meetings provide the opportunity to share information and intelligence. We will ensure that meetings between Audit Scotland staff, auditors and NHS bodies cover the main issues and priorities. Information and intelligence will be regularly reported to the Auditor General and Management Team through health intelligence reports. Intelligence reports will be shared across Audit Scotland and with other appointed auditors.</li> <li>• We do not deliver our planned programme of performance audits. We will regularly monitor progress against our programme of work,</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare and publish a Priorities and Risk Framework (PRF) for the sector each year which focuses our audits and reporting on the key risks and issues.</li> <li>• Continue to host and attend three health sector meetings each year where information on key issues and developments are discussed and good practice shared.</li> <li>• Stakeholders acknowledge that we are addressing the right issues.</li> <li>• Regular meetings held with Director General – Health and other senior officials resulting in better relationships and a common understanding of the issues facing Audit Scotland and central government bodies.</li> <li>• Continue to prepare high-quality intelligence reports on the sector</li> </ul>

### 3. Understanding the external environment and policy context

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<ul style="list-style-type: none"> <li>• Meet regularly with the Director General of Health in the Scottish Government and other Directors and senior officials to share information and knowledge.</li> <li>• Engage with NHS board chairs and chief executives to increase our knowledge of local health systems and emerging issues</li> <li>• Actively monitor policy developments and other issues and risks through our ongoing portfolio management and knowledge of audited bodies. This includes identifying issues to be brought to the attention of the Auditor General and Parliament through S22 reports and identifying those policy developments which may impact on the audit process.</li> <li>• Prepare regular intelligence reports on the health sector for the Auditor General, Management Team and others.</li> <li>• Provide support to the Auditor General and Management Team through presentations and briefings on significant issues, particularly those that have audit implications.</li> <li>• Support improvement in the sector by</li> </ul>	<p>adapting plans and redirecting resources as appropriate.</p> <ul style="list-style-type: none"> <li>• We do not respond to issues as they emerge. Portfolio Managers in PRG will routinely keep up-to-date with developments in the sector, considering emerging issues as they arise and prepare briefings and presentations as necessary to share this information. We will also review our work programme and resource plans to ensure that they are flexible and that we are able to react to unplanned work.</li> </ul>	<p>three times each year and provide portfolio and other briefings on emerging issues, as appropriate, to ensure the Auditor General, Management Team and others are well informed.</p> <ul style="list-style-type: none"> <li>• Deliver a programme of performance audits which is timely, high quality, addresses the key issues across the public sector and responds to developments in the sector.</li> <li>• Continue to prepare Section 22 reports on significant and relevant issues.</li> <li>• Increase, or at least maintain, the number of invitations to speak at external events and conferences.</li> <li>• Increase the number of hits and downloads of reports and other outputs from our website.</li> </ul>

### 3. Understanding the external environment and policy context

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>developing self-assessment checklists and issues papers for board non-executives to support our national reports and publish information on our website which supports improvement and benchmarking.</p>		

### 4. Applying independent challenge and technical support to maintain and improve the quality of our work

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>The quality of our work is essential and underpins our reputation as an independent, authoritative audit organisation.</p>	<ul style="list-style-type: none"> <li>• Comply with recognised professional and ethical standards.</li> <li>• Apply our Quality Frameworks, including peer reviews of our work.</li> <li>• Comply with the ASG Audit Guide, and apply relevant technical guidance issued by the Technical Services Unit.</li> <li>• Comply with our Performance Audit standards, Project Management Framework (PMF) and Performance Audit Manual when carrying out all national performance audits.</li> <li>• Carry out post-project reviews for all national reports to learn lessons and share good practice.</li> </ul>	<ul style="list-style-type: none"> <li>• We provide inaccurate or inconsistent advice or guidance to auditors or NHS bodies. We will ensure that staff apply ethical and professional standards at all times.</li> <li>• We produce low-quality outputs. We will comply with our quality assurance frameworks and strive to continually improve the quality of our outputs.</li> <li>• We do not continually improve our approaches. We will share good practice and lessons learned and build these into our quality assurance processes.</li> <li>• External reviewers highlight major concerns with the quality of our work. We will address these concerns by providing training and routinely reviewing our</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the percentage of reports with independent input or which have been peer reviewed.</li> <li>• Issue technical briefings for all areas which auditors may require support and guidance.</li> <li>• Peer reviews are carried out on annual audits which have been assessed as high risk, learning lessons and improving our practices and performance.</li> <li>• Pilot independent peer reviews for a sample of our national performance</li> </ul>

## 4. Applying independent challenge and technical support to maintain and improve the quality of our work

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<ul style="list-style-type: none"> <li>• Introduce independent review and challenge of our work to ensure it continues to meet accepted good practice and continues to improve.</li> <li>• Regularly provide technical advice and guidance to auditors and NHS bodies on important developments in audit and accountancy.</li> <li>• Monitor the performance of auditors in their application of professional and ethical standards through our independent quality appraisal process.</li> </ul>	<p>internal processes to ensure they cover all aspects of quality assurance.</p> <ul style="list-style-type: none"> <li>• Conflicts of interest arise in carrying out our audits and studies. We will comply with our ethical standards at all times.</li> <li>• Audit resources do not allow for adequate rotation of auditors, particularly at senior level. We will manage our resources to ensure that staff are not involved in audits for longer than five years.</li> <li>• We do not have sufficient audit resources to support future audit developments. We are considering future developments and the resources needed to support this through ASG's business improvement unit and our workforce plans.</li> </ul>	<p>audit reports with a view to embedding this practice.</p> <ul style="list-style-type: none"> <li>• Carry out post-project reviews for every national report within three months of publication and use these to learn lessons and improve practice within teams and across PRG.</li> <li>• All of our staff are well informed and confident when conducting audits.</li> <li>• Increase the commitment of all staff to quality improvement.</li> </ul>

## 5. Forming robust and professional judgements from our evidence-base

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>To ensure the high-quality standards expected of our public audit services we have to form robust and professional judgements based on evidence.</p>	<ul style="list-style-type: none"> <li>• Ensure that quality standards are clear and are complied with in all of our work.</li> <li>• Continue to develop audit tools to make sure they are fit for purpose, good quality and ensure consistency.</li> <li>• Develop an electronic working paper package for our annual audit work to ensure consistency and link findings to evidence, and consider its applicability for performance audit work.</li> <li>• Apply our professional qualifications, experience and competencies in everything we do.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff are not aware of quality standards or do not apply them in their work, leading to findings which are not evidence based or which may damage our reputation. We will continue to induct new staff, provide additional training on our quality assurance frameworks and ensure compliance with these frameworks through our internal QA process.</li> <li>• We provide inconsistent audit judgements to our clients. We will address this by continuing to develop audit tools that enable audit judgements to be made consistently and transparently. We will discuss provisional judgements and share draft reports with relevant colleagues.</li> <li>• Our findings are not linked to evidence and are successfully challenged. We will always record and test our evidence to ensure that it is sufficient, relevant and reliable before making audit judgements. We will link audit judgements back to the evidence in our reports.</li> </ul>	<ul style="list-style-type: none"> <li>• All of our work complies with our quality assurance framework.</li> <li>• Our audit judgements and recommendations are accepted by clients and stakeholders.</li> <li>• There are no successful external challenges to our audit judgements.</li> <li>• Improved audit tools help us gather evidence which allows us to make audit judgements more efficiently and effectively.</li> <li>• The development and implementation of an EWP to support increased consistency and quality in the documentation and evidence for annual audits.</li> </ul>

## 6. Having engaged and motivated people, strong leadership and good internal communication

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>To perform well we need motivated and engaged staff supported by strong leadership and effective internal communication. We are committed to remaining an excellent place to work, where our staff have a reputation for professionalism and expertise, are focused on quality, and take pride in what they do.</p>	<ul style="list-style-type: none"> <li>• Provide effective leadership and direction to all staff to ensure that they know what is expected of them.</li> <li>• Provide learning and development, including our Management Development Programme and First Line Manager training, to ensure that staff are equipped to lead, manage and motivate.</li> <li>• Promote and provide access to learning and development opportunities for all staff.</li> <li>• Set quality standards and hold staff to account for their personal performance against these.</li> <li>• Effectively communicate and engage with individuals, teams and business groups through team brief, staff newsletters, team updates, events and staff conferences.</li> <li>• Introduce a reward strategy that helps us attract and retain high calibre staff.</li> <li>• Strive to achieve a diverse workplace.</li> <li>• Create a safe and healthy working environment for all.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor leadership and direction result in staff not being aware of expectations or meeting quality standards. We will regularly update staff on quality standards, expectations and new developments and build these into PDS objectives and provide opportunities for staff to provide feedback and contribute to these.</li> <li>• Our learning and development opportunities do not address the core skills required of our staff. We will review our learning and development plans to ensure that they align with the new competency framework. We will continue to commission learning and development which meets the specific needs of business units and improves performance in core skills.</li> <li>• We have high staff turnover and sickness levels which are a result of poor staff morale or an unhealthy working environment. We will monitor our staff turnover and sickness levels, understanding the reasons for these and taking action where necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve results in the staff survey, particularly in relation to effective leadership, communication and information flows, opportunities to contribute to developments, being valued, respecting diversity and physical conditions.</li> <li>• Manage sickness absence levels and reduce where possible.</li> <li>• Maintain staff turnover at a level which allows us to widen our skills base but does not adversely affect delivery of the business.</li> <li>• Publish an annual equalities report on our workforce with clear recommendations for improvement.</li> <li>• Have effective workforce plans which help us to deliver our work commitments and continue developing our staff.</li> </ul>

## 6. Having engaged and motivated people, strong leadership and good internal communication

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<ul style="list-style-type: none"> <li>• Identify and develop talent, providing opportunities for development, secondments and career progression.</li> <li>• Gather and act on staff feedback and comments.</li> </ul>	<ul style="list-style-type: none"> <li>• There are no opportunities for staff development or career progression leading to low morale and high performing staff leaving the organisation. We will use our reward strategy to reward high performers and continue to provide opportunities for learning and development including secondments.</li> <li>• Failure to introduce or delay in introducing our new reward strategy. We will ensure staff understand the reward strategy and how it affects them and enable them to contribute to its development and implementation.</li> <li>• Poor H&amp;S practices adversely affect the health and safety of staff, contractors and visitors to Audit Scotland. We will address this by promoting safe and healthy working practices and conditions.</li> <li>• Staff feedback on leadership, communication, morale and motivation is poor. We will provide support and training to managers as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a graduate training programme which allows trainees to gain experience in all business units, widening their knowledge and experience of public sector audit and the wider public sector.</li> <li>• Introduce a programme of work shadowing and secondments which allows a greater understanding of Audit Scotland business and external environment.</li> <li>• All staff are up-to-date with current developments and information through attendance at team meetings and events and from reading relevant communications briefings.</li> <li>• Produce regular Health newsletters for all staff which provide updates on our progress with work, recent developments and any other relevant information.</li> </ul>

## 6. Having engaged and motivated people, strong leadership and good internal communication

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
			<ul style="list-style-type: none"><li>• All staff are aware of health and safety and the specific responsibilities for their grade. Staff demonstrate a positive and shared approach to establishing a safe and healthy working environment.</li><li>• Achieve at least 3-star ratings from all H&amp;S inspections in our offices.</li><li>• All staff have completed our online diversity and equality training.</li></ul>

## 7. Maintaining and developing our professional skills and competencies

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>We can only deliver high-quality work if our staff have the right skills and competencies to do their job well. We embrace an ethos of continuous improvement.</p>	<ul style="list-style-type: none"> <li>• Set high standards for our staff and hold them to account for their personal results and performance through providing regular feedback.</li> <li>• Encourage and monitor continuing professional development of our staff.</li> <li>• Embed our revised competency framework into our Performance Development System.</li> <li>• Hold formal performance reviews with all members of staff at least annually using these to evaluate performance and the impact of any learning and development and identify future learning and development needs.</li> <li>• Provide opportunities for development, secondments and career progression.</li> <li>• Ensure staff are aware of and apply technical guidance provided by TSU.</li> <li>• Continue to run a graduate training programme.</li> </ul>	<ul style="list-style-type: none"> <li>• We do not address poor performance or support staff to attain the highest standards. We will ensure staff receive regular feedback on their performance, aim to achieve our quality standards and address areas for improvement.</li> <li>• Staff do not keep up-to-date with professional developments and the standard of our work does not meet required professional standards. We will ensure that staff are provided with sufficient guidance and development opportunities to understand and apply the professional standards expected.</li> <li>• Our work is delivered to a low standard which does not improve over time. We will carry out annual performance appraisals, rewarding our high performers and supporting people to improve their performance through opportunities for learning and development.</li> <li>• There are insufficient opportunities for staff to improve their skills and competencies within the organisation. We will support and provide opportunities for secondments in and out to ensure that we learn from others, enrich staff skills and benefit the organisation more widely.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of staff receive an annual performance review.</li> <li>• 100% of staff with professional qualifications participate in CPD.</li> <li>• All staff improve their skills and competencies through participating in learning and development.</li> <li>• Staff survey results improve in relation to managing poor performance (20%), performance appraisal discussions and scores reflecting performance (77%), regular and constructive feedback (55%) and opportunities for personal development and growth (65%).</li> </ul>

## 8. Gathering, organising and sharing our knowledge and intelligence

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>The basis for our work is having the right knowledge and intelligence. We need to ensure that the right information is systematically gathered, that it is organised in the most appropriate way, and shared among our staff and externally with our stakeholders.</p>	<ul style="list-style-type: none"> <li>• Gather knowledge and intelligence through portfolio management and our ongoing contact with audited bodies.</li> <li>• Share knowledge and intelligence through all means necessary, including formal and informal meetings such as sector meetings.</li> <li>• Review and develop our arrangements for gathering, organising and sharing knowledge and intelligence.</li> <li>• Develop our knowledge management with a view to improving information and intelligence sharing.</li> <li>• Review our Management Information System (MIS) to ensure that it is fit for purpose and is being populated with relevant information.</li> <li>• Prepare regular intelligence reports on the health sector and ad hoc briefings on areas of significant importance for the Auditor General, Management Team and share these with others.</li> <li>• Introduce a new audit tool – electronic working</li> </ul>	<ul style="list-style-type: none"> <li>• We miss intelligence about a potential audit issue or emerging issue of public concern. We will improve our communication to ensure that all relevant knowledge and intelligence from annual audits and portfolio management is shared. This will help avoid duplication of effort and identify any potential gaps and ensure that the Auditor General and Management Team are alerted to emerging issues.</li> <li>• We do not make best use of our technology which inhibits our ability to share knowledge easily across the organisation. We will further develop our knowledge management and information management strategy.</li> <li>• Our work is not targeted in the areas of high audit risk. We will consider risks emerging from annual audits and make best use of effective portfolio management to keep abreast of developments in key policy areas.</li> <li>• Annual audits miss statutory deadlines. We are inefficient in our annual audit work leading to potential delays in completion.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare and publish a Priorities and Risks Framework for the sector.</li> <li>• Hold three sector meetings each year for the health sector.</li> <li>• Publish four technical bulletins each year.</li> <li>• Prepare three health intelligence reports each year for the Auditor General and Management Team which identify and provide updates on all significant issues in the sector.</li> <li>• Are aware of issues likely to result in Section 22 reports at an early stage.</li> <li>• Prepare regular reports to Directors and Management Team from our MIS which</li> </ul>

## 8. Gathering, organising and sharing our knowledge and intelligence

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>papers package - for ASG and consider its application in PRG.</p> <ul style="list-style-type: none"> <li>Encourage staff to contribute to developments and identify opportunities for joint working.</li> </ul>	<ul style="list-style-type: none"> <li>Performance audits are delivered behind schedule and at significantly greater costs than estimated. We develop our MIS for PRG to ensure that we identify project slippage at an early stage and take remedial action.</li> </ul>	<p>reports progress of our work and any significant slippage.</p> <ul style="list-style-type: none"> <li>Staff survey results in relation having the right information to do job well (75%) and working better across the organisations (40%) improve.</li> </ul>

## 9. Delivering our work and managing our resources efficiently and effectively and being clear where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
<p>We will ensure that we have strong internal governance processes in place and we deploy best practice public management. We are committed to helping public bodies achieve efficiencies in their work, and will generate efficiencies ourselves to meet the Scottish Government annual efficiency targets. We are committed to meeting our environmental obligations and reducing our carbon footprint. We will continue to carry out a programme of internal best value reviews to improve our efficiency and effectiveness and manage our risks.</p>	<ul style="list-style-type: none"> <li>• Comply with our guidelines and procedures when recruiting staff and buying other resources.</li> <li>• Identify proposals for cash-releasing efficiency savings as well as continually improving the way that we work which will deliver time-releasing efficiencies.</li> <li>• Contribute to a programme of internal best value reviews which will improve our efficiency and effectiveness and manage our risks.</li> <li>• Develop workforce plans for each of our main business groups and update them annually.</li> <li>• Further develop and maintain our MIS and use it to monitor the cost and timeliness of our work against the budgets and timescales set.</li> <li>• Use our MIS to improve how we use our resources, and benchmark our productivity with partner firms and other audit agencies.</li> <li>• Effectively manage our budgets, including effectively planning and coordinating the use</li> </ul>	<ul style="list-style-type: none"> <li>• We are unproductive and inefficient. We will continually look for ways to improve our efficiency and effectiveness.</li> <li>• We do not match skills to the job. Our workforce and resource planning will provide assurance that we have the right skills in place to do the job.</li> <li>• We produce high-cost, low-quality outputs. We will monitor the cost and time of our outputs through our MIS, taking action where necessary, and will ensure that our quality assurance frameworks are applied.</li> <li>• There is no improvement in how we do our work or the quality of our outputs. Our internal best value reviews will identify areas for improvement Internal and external peer reviews will identify areas where quality can be improved.</li> <li>• We do not achieve two per cent cash-releasing efficiency savings. We will continually challenge the way that we do things and consider how efficiency savings can be made when developing our plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver all of our audit reports to time and budget.</li> <li>• Improve our productivity and perform well when compared with other UK audit agencies.</li> <li>• Carry out internal best value reviews which identify areas for improvement which are addressed in future years.</li> <li>• Reduce the time taken to do our work while improving, or at least maintaining, quality.</li> <li>• Meet our two per cent efficiency cash-releasing savings target.</li> <li>• Reduce our carbon footprint in line with our environmental strategy.</li> <li>• Increase the number of visitors to our website.</li> <li>• Increase the number of reports downloaded from our website.</li> </ul>

**9. Delivering our work and managing our resources efficiently and effectively and being clear where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work**

Purpose	What we will do to deliver	Key risks and how we will manage them	What will success look like?
	<p>of external consultants and agency staff.</p> <ul style="list-style-type: none"> <li>• Plan the use of our resources better by introducing a challenge function at budget proposal stage which aims to justify planned expenditure and ensure that efficiencies are in-built.</li> <li>• Ensure that IT and other resources are used efficiently and effectively.</li> <li>• Consider the environmental impact when making decisions about the use of resources.</li> <li>• Ensure that our work adds value by developing a performance audit programme which covers all four impact areas set out in our impact framework.</li> <li>• Monitor the impact of our work by preparing impact reports for all of our performance audit reports three and 12 months after publication.</li> </ul>	<ul style="list-style-type: none"> <li>• Our work fails to make an impact. We will ensure that our work has an impact by both planning for it and monitoring it after publication. We will focus our resources on areas where we can add most value and ensure that it has an impact. We will report the impact of our work to the Auditor General and Accounts Commission.</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrate the impact of our work by assessing our outputs against the four impact measures and reporting real changes.</li> </ul>

# Appendix 1 – NHS audit appointments 2008/09 – 2010/11

<b>Audit Scotland</b>	<b>KPMG</b>	<b>PricewaterhouseCoopers</b>	<b>Scott-Moncrieff</b>
NHS Grampian NHS Greater Glasgow & Clyde NHS Highland NHS Lothian NHS Tayside NHS Western Isles NHS National Services Scotland NHS 24 NHS Quality Improvement Scotland	NHS Ayrshire & Arran NHS Dumfries & Galloway NHS Orkney National Waiting Times Centre Board The State Hospital	NHS Borders NHS Lanarkshire NHS Shetland NHS Health Scotland Mental Welfare Commission for Scotland NHS Education for Scotland Scottish Ambulance Service	NHS Fife NHS Forth Valley

# Appendix 2 - Programme of performance audits 2009-10

Study	Type of report	Indicative publication date
NHS asset management	AGS	29 January 2009
Drug and alcohol services	Joint AC/AGS	26 March 2009
Mental health services	Joint AC/AGS	16 April 2009
Improving public sector purchasing	Joint AC/AGS	July 2009
Financial management in the Scottish Government	AGS	October 2009
Delivering efficiencies in the public sector	Joint AC/AGS	November 2009
NHS performance overview	AGS	December 2009
New Ways waiting times arrangements in the NHS	AGS	March 2010
Specialty efficiency - orthopaedics	AGS	Spring 2010
Role of boards	AGS	Spring 2010
Medical locums	AGS	Spring 2010

Public sector pensions follow-up	AGS	Spring 2010
Emergency care	AGS	Autumn 2010
Major capital projects follow-up	AGS	Autumn 2010
IM&T in the NHS follow up	AGS	Winter 2010