

Healthcare Improvement Scotland

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of Healthcare Improvement Scotland and the Auditor General for Scotland

June 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 Adjustments have been made to the Remuneration Report and the Staff Report as a result of the audit.

Wider scope

- 3 Healthcare Improvement Scotland has developed detailed plans for 2023/24 and for the subsequent 4 years, risks remain over the ability to deliver fully against the recurring savings plan over the course of 2023/24 and future years.
- 4 We have concluded that Healthcare Improvement Scotland has appropriate budget monitoring arrangements in place.
- 5 Healthcare Improvement Scotland operated within its Revenue Resource Limit.
- 6 Audit procedures related to our high level evaluation of key controls within the main accounting systems did not identify any significant internal control weaknesses.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Healthcare Improvement Scotland. The scope of the audit was set out in an Annual Audit Plan presented to the 2 March 2023 meeting of the Audit and Risk Committee (ARC). This Annual Audit Report comprises:

- significant matters arising from an audit of Healthcare Improvement Scotland's annual report and accounts
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability and for our 2022/23 audit of Healthcare Improvement Scotland, conclusions on financial management.

2. This report is addressed to the Board of Healthcare Improvement Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Claire Gardiner, have been appointed by the Auditor General as auditor of Healthcare Improvement Scotland for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank Board members, Audit and Risk Committee members, directors, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the audit appointment.

Responsibilities and reporting

5. Healthcare Improvement Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. Healthcare Improvement Scotland is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist.

Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £34,680 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

10. We add value to Healthcare Improvement Scotland by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on financial sustainability and financial management
- sharing intelligence and good practice.

Part 1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Adjustments have been made to the Remuneration Report and the Staff Report as a result of the audit process.

Audit opinions on the annual report and are unmodified

11. The board approved the annual report and accounts for Healthcare Improvement Scotland for the year ended 31 March 2023 on 28 June 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration report and the staff report were prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed on receipt of the annual report and accounts as £0.83 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in Exhibit 1.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£0.83 million
Performance materiality	£0.58 million
Reporting threshold	£42 thousand

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting previously reported matters and our cumulative knowledge of Healthcare Improvement Scotland.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

19. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. The Remuneration report and the Staff Report</p> <p>The audit of the Remuneration Report and the Staff Report identified a number of errors and other disclosure changes that were required to ensure the reports were fully compliant with applicable guidance. These included:</p> <ul style="list-style-type: none"> • the remuneration table did not include a senior employee who had left during 2022/23 • the pension values table did not include the correct values for total accrued pension. This also affected the equivalent prior year disclosure, which was amended • fair pay disclosure table: median, 25th percentile and 75th percentile values were not correct, and did not include all the relevant narrative to explain movement compared to the prior year. 	<p>Management have reviewed the disclosures within the Remuneration Report and the Staff Report and have updated the information.</p> <p>We are satisfied that the revised Remuneration and Staff Reports fulfils the disclosure requirements of applicable guidance.</p>
<p>2. Independent Healthcare income surplus</p> <p>The 2022/23 independent healthcare income surplus of £70,000 was transferred from income to be held in a general revenue unused balance code within trade and other payables. This has the effect of deferring the independent healthcare surplus. No conditions are attached to this independent healthcare income that could require Healthcare Improvement Scotland to return the unspent money. Therefore, the full 2022/23 independent healthcare income should have been recognised in 2022/23.</p> <p>Independent healthcare income surpluses have been treated this way for a number of years and as at 31 March 2023 the total balance held in trade and other payables is £0.35 million.</p> <p>The accounting treatment applied has the effect of decreasing operating income in the Statement of Comprehensive Net Expenditure and increasing liabilities in the Statement of Financial Position. The reported surplus against Healthcare Improvement Scotland's Core Revenue Resource Limit for the year has consequently been understated by the £0.35 million, with £0.28 million relating to preceding years.</p>	<p>Management has chosen not to make an adjustment for this in the audited 2022/23 annual report and accounts and we have reported it as an unadjusted error at paragraph 21.</p> <p>This unadjusted error does not impact upon our audit opinions on the annual report and accounts set out at paragraph 11.</p>

Our audit work responded to the significant risk of material misstatement we identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risk of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the audit procedures we performed during the year to obtain assurances over the risk and the conclusions from the work completed.

Exhibit 3

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of the key controls over journal entry processing. • Test journal entries through the year, at the year-end and post-closing entries, with a focus on significant risk areas. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Focussed testing of accounting accruals and prepayments. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Evaluate significant transactions outside the normal course of business. 	<p>Satisfactory</p> <p>The completion of the assurance procedures did not identify any evidence of management override of controls.</p> <p>Audit procedures related to the board's accounting records did not identify any errors or instances of transactions outside the normal course of business.</p> <p>Key officers involved in the financial reporting process, including NSS officers* (who provide financial services for Healthcare Improvement Scotland) provided assurance that they had not identified any instances of inappropriate or unusual activity.</p> <p>* NSS (NHS National Services Scotland) provide a range of financial services to Healthcare Improvement Scotland under a service level agreement.</p>

There was one non-material misstatements identified within the financial statements

21. We identified one non-material misstatements, as noted in [Exhibit 2](#) which was not corrected by management in the audited annual report and accounts. We considered the size, nature and circumstances of this uncorrected misstatements and concluded that it was not material.

The unaudited annual report and accounts were received in line with the agreed timetable

22. The unaudited annual report and accounts were received in line with our agreed audit timetable for 9 May 2023.

23. Officers provided good support to the audit team. However, related to it being the first year of the audit appointment, we needed to request additional or alternative working papers to support our audit procedures.

24. As part of our review of the unaudited annual report and accounts we identified a number of disclosure amendments that were required and subsequently amended by management. These factors, and audit procedures related to the Remuneration Report and the Staff Report, combined, meant the financial statements audit took longer than had been originally planned.

25. Given the lower level of complexity of Healthcare Improvement Scotland, related to its size and its limited financial activity, our observations from the audit of the 2022/23 annual report and accounts is there is scope for management to reduce the length of the performance report and the accounting policies.

26. As part of the 2023/24 audit, we will work with management to improve the process around working papers and consider what other improvements can be made to the audit process.

We are satisfied the Annual Governance Statement has been prepared in accordance with the relevant statutory guidance

27. Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 and directions made by Scottish Ministers.

28. We are satisfied that the Governance Statement for the year to 31 March 2023 has been prepared in line with applicable acts and accounts directions and is consistent with other disclosures in the financial statements.

Good progress was made on the prior year recommendation

29. Healthcare Improvement Scotland implemented the audit recommendation identified by Deloitte's, the previous external auditor. The recommendation related to the need for management to complete the National Fraud Initiative (NFI) self-appraisal checklist to support the Audit and Risk Committee's consideration of how well the organisation engages in the NFI process. The Audit and Risk Committee considered a completed checklist at the September 2022 meeting and concluded they were assured around Healthcare Improvement Scotland's NFI participation.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term, and for the 2022/23 audit of Healthcare Improvement Scotland, consideration of its financial management arrangements.

Conclusion

Healthcare Improvement Scotland has developed detailed plans for 2023/24 and for the subsequent 4 years, risks remain over the ability to deliver fully against the recurring savings plan over the course of 2023/24 and future years.

We have concluded that Healthcare Improvement Scotland has appropriate budget monitoring arrangements in place.

Healthcare Improvement Scotland operated within its Revenue Resource Limit.

Audit procedures related to our high level evaluation of key controls within the main accounting systems did not identify any significant internal control weaknesses.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

30. [Exhibit 4](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
1. Financial Sustainability Healthcare Improvement Scotland (HIS), similar to other public sector bodies, is facing challenges to its financial sustainability, including its ability to plan	<ul style="list-style-type: none"> Review of financial plans and budgets. Review of year end aged debtors and creditors listings. 	Satisfactory Healthcare Improvement Scotland operated within its annual Revenue Resource Limit during 2022/23.

Audit risk	Assurance procedure	Results and conclusions
<p>related to the timing and uncertainty around non-recurring funding streams.</p> <p>Whilst reflective of the usual nature of HIS's business (relatively low level of non-current and current assets), HIS's financial sustainability position is exacerbated in part due to its general fund deficit (net liabilities position) as reported in its Statement of Financial Position.</p>	<ul style="list-style-type: none"> • Consideration of assurances from the Scottish Government. • Report findings in our Annual Audit Report. 	<p>As reported in its Statement of Financial Position, Healthcare Improvement Scotland's remains with a general fund deficit (net liabilities position). We are satisfied this is due to timing of payments and is not indicative of financial sustainability issues.</p> <p>Baseline funding for the financial year ending 31 March 2024 has been confirmed by Scottish Government.</p> <p>Healthcare Improvement Scotland's 2023/24 financial budget was approved by the Board on 29 March 2023 as part of its 2023/24 integrated plan. This also included approval of a five-year financial plan for the period 2023-2028.</p>

Healthcare Improvement Scotland operated within its Revenue Resource Limits of £40.1 million

31. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. NHS Boards are required to achieve a breakeven position over a rolling three year period and can exercise annual flexibility within one per cent of their revenue resource limit. [Exhibit 5](#) shows that Healthcare Improvement Scotland operated within its limits during 2022/23.

Exhibit 5 Performance against resource limits in 2022/23

Performance against resource limits set by SGHSCD	Resource Limit £'000	Actual £'000	Underspend £'000
Core revenue resource limit	39,290	39,223	67
Non-core revenue resource limit	865	856	9
Total revenue resource limit	40,155	40,079	76

Performance against resource limits set by SGHSCD	Resource Limit £'000	Actual £'000	Underspend £'000
Core capital resource limit	114	95	19
Non-core capital resource limit	0	0	0
Total capital resource limit	114	95	19
Cash requirement	40,150	40,150	0

Source: Healthcare Improvement Scotland Annual Report and Accounts 2022/23

Financial management arrangements are appropriate

32. Based on our observations of the arrangements in place to monitor and report on the financial position throughout the year, reports are sufficiently detailed to allow corrective action to be undertaken. We observed also that the actual outturn for the full year was reflective of the forecast outturn reported to the March 2023 Board (based on February 2023 data). We have concluded that Healthcare Improvement Scotland has appropriate budget monitoring arrangements in place.

Standards of conduct for prevention and detection of fraud and error are appropriate

33. As part of the audit, we also considered Healthcare Improvement Scotland's arrangements in place to prevent and detect fraud and other irregularities. We have concluded that the arrangements are adequate.

Healthcare Improvement Scotland has appropriate financial control arrangements in place, but with some scope for improvement

34. As part of our audit, we develop an understanding of Healthcare Improvement Scotland's control environment in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that Healthcare Improvement Scotland has systems for recording and processing transactions which provide a sound basis for the preparation of the financial statements. Our audit is not controls based and, with the exception of the control related to journal entry authorisation, we have not placed reliance on controls operating effectively as our audit is substantive in nature.

35. From our review of the design and implementation of systems of internal control relevant to our audit approach, and the testing of the operating effectiveness of the control related to journal entry authorisation, we identified no material weaknesses or areas of concern which would have caused us to alter the planned audit approach as documented in our 2022/23 Annual Audit Plan. However, we do note the following matters and recommendation:

- NHS National Services Scotland (NSS) provide a range of financial services to Healthcare Improvement Scotland under a service level agreement (SLA). The SLA details the processes and controls operated by NSS on Healthcare Improvement Scotland's behalf, separate to its own processes and controls. Our audit procedures have identified that related to this arrangement NSS is able to input journals directly to Healthcare Improvement Scotland's ledger. Whilst this is not an issue in itself, journals input by NSS are not covered by the Healthcare Improvement financial control whereby journals with a value greater than £50,000 require to be authorised by a second officer.
- Journals greater than £50,000 processed by Healthcare Improvement Scotland Finance Manager's also are not subject to a secondary check.

Recommendation 1

Healthcare Improvement Scotland should consider developing a review process, which could be retrospective, which ensures that journals input to the Healthcare Improvement Scotland ledger by NSS without a secondary check, and the Healthcare Improvement Scotland Finance Manager's are subject to review.

36. In our 2022/23 Annual Audit Plan we highlighted the eFinancials system (the financial ledger hosted by Ayrshire and Arran Health Board and used by all health boards across Scotland) issues following a system upgrade in January 2023. Whilst the upgrade issues were highly disruptive for a period of time, assurances have since been provided via the 2022/23 eFinancials service audit report that no internal control weaknesses emerged during the period of disruption. The main impact for Healthcare Improvement Scotland was a deterioration in its payment performance.

Healthcare Improvement Scotland has a medium-term financial plan

2023/24 financial budget

37. Healthcare Improvement Scotland's 2023/24 financial budget was approved by the Board on 29 March 2023 as part of its 2023/24 integrated plan. This also included approval of a five-year financial plan for the period 2023-2028.

38. The total approved budget for 2023/24 was £42.7 million: £33.6 million relating to Healthcare Improvement Scotland's baseline funding; £7.5 relating to additional funding allocations that relate to specific initiatives; and £1.6 million relating to the independent healthcare inspection regime. The baseline budget includes recurring savings initiatives of £1.6 million, which equates to 4.8% of the baseline funding.

39. The 2023/24 approved budget was balanced, based on the achievement of £1.6 million savings target. The achievement of a balanced position was subject to a significant number of risks to achieve the balanced position, including:

- unfunded pay awards

- uncertainty on allocation funding
- confidence on achieving recurring savings
- funding associated with independent health care
- cost pressures.

40. The £1.6 million saving target is being delivered under the sustainability and value programme through the organisations 'One Team' transformation programme. Whilst taking this approach could mitigate some of the risks, the achievement of the target is still likely to be challenging, particularly being able to deliver all savings on a recurring basis. Healthcare Improvement Scotland has assessed that the 2023/24 financial budget carries more risk and a higher reliance on recurring saving than in previous years.

41. Similar to previous years, a number of Healthcare Improvement Scotland's key work programmes and projects are funded through a combination of core baseline funding and additional allocations. If the additional allocation components are not provided as expected, this could impact on delivery of specific projects. When the 2023/24 budget was approved by the Board, there was uncertainty around 12% of the overall anticipated funding.

Five-year financial plan

42. The five-year financial plan for 2023 to 2028 is based on the underlying 2023/24 budget assumptions and assuming a 2% increase in baseline funding year on year, building in staffing and other cost pressures. The five-year plan identifies a total budget gap of £6.2 million, with £1.6 million savings targeted for 2023/24, and then a further £4.6 million of savings across 2024/25 to 2027/28. Healthcare Improvement Scotland notes this level of savings is the equivalent of a 12% decrease in total staffing whole time equivalent posts from 547 in 2023/24 to 483 in 2027/28.

43. Healthcare Improvement Scotland has developed detailed plans for 2023/24 and for the subsequent 4 years. Plans are in place to deliver recurring savings in 2023/24, supported by the 'One Team' transformation programme. There remains an ongoing risk over Healthcare Improvement Scotland's ability to deliver fully against the recurring savings plan over the course of 2023/24 and future years.

44. Given the level of risk associated with the 2023/24 financial budget and the uncertainty around elements of non-recurring funding, delivery against the budget and the saving programmes will require to be carefully managed. Timely reporting to the Board will continue to be important, to afford it the opportunity to make informed decisions and adapt to any changes in the funding and budgetary landscape.

Climate change arrangements

45. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

46. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

47. Healthcare Improvement Scotland has various arrangements in place to support its own climate change journey and is aiming to reduce its carbon emissions by 15% by August 2023 and be net zero by 2040. It also plays an important part in supporting other health boards.

48. The 2022/23 annual report and accounts makes appropriate disclosures on the actions taken in year to support the climate change agenda. And from a governance perspective, Healthcare Improvement Scotland has a Net Zero and Sustainability action plan and a draft Climate Emergency and Sustainability Strategy. It reports initially to its Resilience group then formally to the Audit and Risk Committee.

Work continues against the requirements of the NIS regulations

49. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that public bodies have appropriate cyber security arrangements in place. A number of recent incidents in the wider public sector and beyond have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. As part of our 2022/23 audit, we considered Healthcare Improvement Scotland's arrangements for managing and mitigating cyber security risks.

50. A key measure to gauge the appropriateness of Healthcare Improvement Scotland's cyber security arrangements is from the outcome against the periodic assessments against the EU Network and Information Systems Regulations 2018 (NIS Regulations). The NIS Regulations set out a comprehensive set of cyber security controls along with legal measures to boost the overall level of cyber security arrangements within public bodies.

51. Similar to other bodies assessed under the NIS Regulations, Healthcare Improvement Scotland overall compliance status is below the expected level. The most recent assessment took place in December 2022, and whilst there was some improvement compared to the previous assessments, the compliance report noted concerns around Healthcare Improvement Scotland's ability to meet the expected compliance target within relevant timelines.

Recommendation 2

Healthcare Improvement Scotland should consider developing a risk assessed action plan to address the actions stemming from the NIS Regulation. Implementation against the action plan should be monitored by an appropriate governance committee.

Healthcare Improvement Scotland has arrangements in place for securing Best Value

52. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual \(SPFM\)](#) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The SPFM articulates the characteristics of Best Value relate to: vision and leadership; governance and accountability; use of resources; partnership and collaborative working; working with communities; sustainability and; fairness and equality.

53. We carried out a high-level review to consider the Best Value arrangements in place within Healthcare Improvement Scotland. We have concluded that whilst there is evidence to demonstrate that Healthcare Improvement Scotland is committed to the principles and characteristics of Best Value, self-evaluation against the best value principles and reporting of the outcome is not periodically undertaken.

54. The SPFM emphasises that Best Value arrangements should be proportionate to Healthcare Improvement Scotland's priorities, operating environments and scale, however in the absence of a periodic self-evaluation, there is a risk that Healthcare Improvement Scotland does not effectively demonstrate the arrangements it has in place to secure and demonstrate Best Value.

Recommendation 3

Healthcare Improvement Scotland should consider how it articulates that arrangements are in place to secure and demonstrate Best Value.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Journal authorisation</p> <p>Journals greater than £50,000 processed by NSS on behalf of Healthcare Improvement Scotland and journals processed by the Healthcare Finance Manager's are not subject to a secondary check.</p> <p>Risk – journal errors are not detected.</p>	<p>Healthcare Improvement Scotland should consider developing a review process, which could be retrospective, which ensures that journals input to the Healthcare Improvement Scotland ledger by NSS without a secondary check, and the Healthcare Improvement Scotland Finance Manager's are subject to review.</p> <p>Paragraph 35.</p>	<p>As a small finance team of five, we rely on the service level agreement with NSS to deliver most of our high volume transactions. As part of this agreement, we place reliance on their financial control framework to ensure accurate postings. We take assurance from internal audit, external audit, key performance metrics and analytical reviews.</p> <p>Management agrees to undertake a review of these assurance processes during the year, ensuring they are proportional and adequate, and will make any amendments as required.</p> <p>Responsible officer: Head of Finance & Procurement</p> <p>Agreed date: 31 March 2024</p>
<p>2. NIS Regulations Implementation</p> <p>Healthcare Improvement Scotland's compliance status is below the expected level against the NIS Regulations.</p> <p>Risk – Healthcare Improvement Scotland does not meet the expected compliance target within relevant timelines.</p>	<p>Healthcare Improvement Scotland should consider developing a risk assessed action plan to address the actions stemming from the NIS Regulation. Implementation against the action plan should be monitored by an appropriate governance committee.</p> <p>Paragraph 51.</p>	<p>The NIS regulations audit actions are tracked and reported to the Audit & Risk Committee at appropriate timescales under the resilience update. Scottish Government requested we move away from the previous risk based approach to a percentage completion approach. Therefore, we are now targeting 60% of actions</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>being cleared as opposed to red and black rated issues.</p> <p>Management agrees to add this formally to the ARC business planning schedule to ensure actions are being tracked at regular intervals.</p> <p>Responsible officer: Director of Evidence</p> <p>Agreed date: 30 September 2023</p>
<p>3. Best Value</p> <p>Healthcare Improvement Scotland does not undertake a periodic self-evaluation of its Best Value arrangements.</p> <p>Risk – Healthcare Improvement Scotland cannot effectively demonstrate the arrangements it has in place to secure and demonstrate Best Value.</p>	<p>Healthcare Improvement Scotland should consider how it articulates that arrangements are in place to secure and demonstrate Best Value.</p> <p>Paragraph 54.</p>	<p>Best value and performance is an area where we made significant strides in 2022/23 – introducing KPIs, enhancing our performance reporting, reprioritisation for winter pressures and formalising our sharing intelligence network, and this work will continue into 2023/24 aligning to our new strategy. All of this was overseen by the Quality & Performance Committee (QPC) and the Board and is demonstrated in the Performance report, our SG annual review and can be seen on our website.</p> <p>Management has agreed to consider this collectively in a formal best value report which will be presented to QPC periodically.</p> <p>Responsible officer: Director of Finance, Planning and Governance</p> <p>Agreed date: 31 March 2024</p>

Healthcare Improvement Scotland

2022/23 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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