

Annual Accounts

Financial year ended 31 March 2005

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First published August 2005

Any enquiries in connection with the accounts should be addressed to:

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Directors' Report

Accounts and Notes for the Financial Year ended 31 March 2005

This is the report of the Board Members of NHS Quality Improvement Scotland (NHS QIS).

1 Accounting convention

The Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the Resource Accounting Manual issued by HM Treasury.

2 Accounting policies

The Statement of the accounting policies which have been adopted is shown at Note 1.

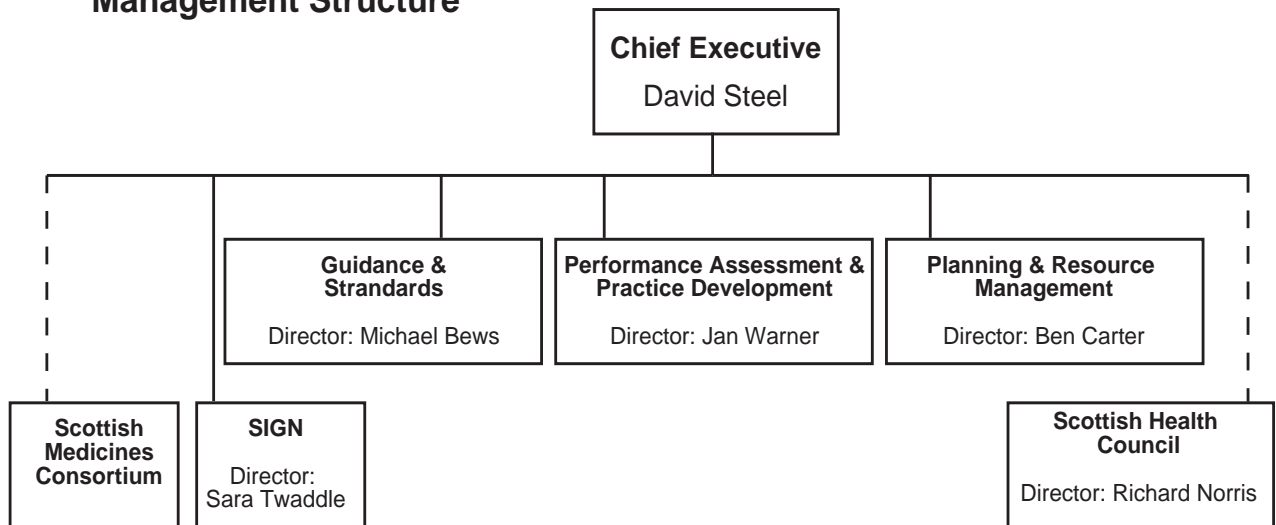
From 1 April 2002, NHS QIS has complied with the Resource Accounting Manual (RAM) issued by HM Treasury with the Operating Cost Statement replacing an Income and Expenditure Account and the General Fund replacing capital and revenue reserves on the Balance Sheet.

Under the revised accounting arrangements, NHS Boards must show liabilities for future years in their accounts without showing funding anticipated from the Scottish Executive Health Department (SEHD). This has resulted in net liabilities on the Balance Sheet. The Balance Sheet reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Executive Health Department. Accordingly the accounts have been prepared on the going concern basis.

3 Principal activities and review of the year

Following its establishment in January 2003, NHS QIS moved to its new organisational structure on 1 April 2004. With effect from 1 January 2005, the Scottish Intercollegiate Guidelines Network (SIGN) staff, transferred under Transfer of Undertakings (Protection of Employment) (TUPE) to become part of NHS QIS. During 2004/05, NHS QIS facilitated the establishment of the Scottish Health Council (SHC) which was launched on 1 April 2005. NHS QIS continued to build upon the work of previous years throughout 2004/05 in improving the quality of health services delivered in Scotland.

Management Structure



Some of the key achievements towards improving quality of healthcare during the year are highlighted below.

Healthcare governance

- Carried out interim assessments and review on clinical governance and risk management for all NHS Boards.
- Revised draft healthcare governance standards following consultation. Re-issued for further consultation as draft clinical governance and risk management standards.
- Commissioned project to explore current risk management practice across NHS Scotland. Published risk management report with project findings.

Cancer

- Published best practice statements on:
 - the management of pain in patients with cancer
 - skincare of patients receiving radiotherapy.
- Published evidence note on comparison of digital mammography and film screen mammography.
- Accredited the quality assurance frameworks for the regional cancer networks.

Cardiovascular disease

- Issued report of draft health technology assessment, on the use of B-type natriuretic peptides in the investigation of patients with suspected heart failure, for consultation.
- Carried out review visits of stroke services for 11 NHS Boards.

Mental health

- Published best practice statement on admission to adult mental health in-patient services.
- Published national overview (and summary booklet) of reviews against schizophrenia standards.
- Published final report of the NHS QIS funded national confidential enquiry into methadone related deaths (Scotland) 2001.
- Issued draft strategic framework, improving mental health services in Scotland, for consultation.

Children's health/reproductive and maternal health

- Published best practice statements on:
 - routine examination of the newborn
 - maternal history taking.
- Issued draft standards on pregnancy and newborn screening for consultation.
- Published children's health services steering group scoping report.
- Published health indicators report 2004 which focused on children's health.
- Published report from NHS QIS funded project on learning from adverse events: developing a system for identification and assessment of maternal 'near misses'.
- Developed and published the Scottish woman-held maternity record.

Management of chronic conditions

- Published evidence note on continuous glucose monitors in diabetes mellitus.

Patient safety

- Published best practice statement on urinary catheterisation and catheter care.
- Published report of the steering group on the safe, effective and efficient use of blood components and their alternatives.
- Published report from NHS QIS funded study on safe and effective transfusion in Scottish hospitals – the role of the transfusion nurse specialist.
- Completed follow-up visits and published progress report on healthcare associated infection (HAI): infection control in NHSScotland.
- Published consultation report of health technology assessment on the provision of alcohol based products to improve compliance with hand hygiene.

Older people

- Issued draft standards on healthcare services used by older people in NHSScotland for consultation. Published report on the consultation of the draft standards and the proposed peer review process.

Primary care

- Published standards on the provision of safe and effective primary medical services out-of-hours.
- Issued draft stock-take report on community hospitals.

Learning disabilities

- Carried out review visits of services for people with learning disabilities for seven NHS Boards.

Other areas of healthcare

- Published best practice statement on post operative pain management.
- Published final report of emergency medical admissions scoping group.
- Published national overview of reviews against management of post mortem examinations standards.
- Carried out review visits against anaesthesia standards for all NHS Boards.
- Issued report of the scoping study group on the provision of spiritual care in NHSScotland.
- Hosted annual conference for allied health professionals.

Work programme

- Published final report on best practice statements – impact evaluation study.
- Established a short life working group which has produced a draft national strategy for clinical audit in Scotland.

4 Financial targets

The Scottish Executive Health Department sets three financial targets at NHS Board level on an annual basis.

These limits are:

- revenue resource limit – a resource budget for ongoing operations
- capital resource limit – a resource budget for new capital investment, and
- cash requirement – a financial requirement to fund the cash consequences of the ongoing operations and the new capital investment.

NHS Boards are expected to contain their net expenditure within these limits, and to report on any variation from limits as set.

5 Performance against financial targets

	(1) Limit as set by SEHD £000	(2) Actual outturn £000	(3) Variance over(-)/under (1) - (2) £000
Revenue resource limit	12,105	11,592	513
Capital resource limit	238	216	22
Cash requirement	12,343	11,808	535

NHS QIS closing bank balance as at 31 March 2005 was £353,931 (Paymaster General).

During the 12 month period, NHS QIS capitalised £216,434 relating to costs for IT equipment and refurbishment to leasehold property.

NHS QIS is permitted to carry forward up to 1% of its allocation (£121,000). The true underspend of the organisation for 2004/05 was £132,500, and it has been agreed by the Scottish Executive that this can be carried forward to 2005/06. In addition, there were very late allocations for specific projects provided to NHS QIS in 2004/05. It was not possible to spend these funds in 2004/05, which amounted to £402,500. Thus, the total carry forward agreed by the Scottish Executive is £513,000 Revenue and £22,000 Capital.

In the year 2004/05 the revenue allocation, less the carry forward from 2003/04 and the late allocation for ring-fenced projects, to NHS QIS was £11,158 million; however, NHS QIS expenditure in the year was £11,592 million. This represents an overspend in year of £434,000, which was funded from the previous year's carry forward of £567,000. The additional funding was utilised to fund the set up costs of the Scottish Health Council and expansion of the Scottish Medicines Consortium.

6 Payment policy

NHS QIS endeavours to comply with the principles of the CBI prompt payment code by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. In the 12 month period, the average credit taken by NHS QIS was 31.59 days, and it paid 79.2% by value and 69.9% by volume within 30 days.

7 Financial management

The Head of Finance has been in post throughout 2004/05 and the Finance Unit has expanded and stabilised its permanent staffing numbers to facilitate the required support function for NHS QIS.

The Finance Unit within NHS QIS is responsible for:

- the production of the Annual Accounts

NHS Quality Improvement Scotland

- the provision of monthly management accounting information, which is reported to the Management Team of NHS QIS, the Board & the Scottish Executive Health Department.
- examining risk management within the organisation and verifying that processes are in place to ensure that risk management is supported throughout the organisation
- the financial control of external clinical effectiveness grants, and
- reviewing the organisation's financial policies and procedures to ensure that they are kept up to date.

Also during 2004/05, the Finance Unit successfully managed the financial incorporation of SIGN into NHS QIS, which took place on 1 January 2005. The Unit also set up processes to allow the financial establishment of the Scottish Health Council on 1 April 2005.

NHS QIS has a Service Level Agreement (SLA) with NHS National Services Scotland (NSS) for elements of the payment of creditors, financial management information support services and payroll functions. The Finance Unit has also taken over responsibility for the processing of all creditors invoices for which NSS was responsible under the SLA in previous years.

NHS QIS Finance Unit worked in conjunction with the project team at National Services Scotland to facilitate the successful migration of financial data from an earlier version of the financial management system, to the most up-to-date version.

The Finance Unit took forward the delivery of a substantial amount of training to NHS QIS staff on issues such as the roll-out of the finance system as an online requisitioning tool; risk management; corporate governance; and value added taxation to ensure maximum recovery by the organisation.

The Internal Audit function of NHS QIS is provided through a contract with an external organisation, PricewaterhouseCoopers. This function completed the planned set of Internal Audit reviews for 2004/05, and the Finance Unit ensured that management responses to these reviews were developed and implemented. Thereafter, the Finance Unit ensured that NHS QIS staff were trained in the actions to be taken to meet the recommendations.

In the forthcoming year, the Finance Unit plans to introduce a new project ledger, implement Agenda for Change and anticipate and prepare for any changes required due to the shared services initiative. The Finance Unit will also have considerable involvement in taking forward the consequences from the announcement from the Scottish Executive that NHS QIS will relocate to Glasgow. This will involve work around the preparation of business cases relating to property issues and establishing the financial impact of staff relocation.

8 Board membership

The Board Chairman during the 12 month period April 2004 to March 2005 was Lord Naren Patel and the Chief Executive was Dr David Steel.

The names and positions of other Board Members who served during this period are shown at Note 5.

Board Members' responsibilities in relation to the accounts are set out in a statement following this report on page 15.

9 Corporate governance

The Board met six times during the year to progress its business. It was supported in this work by the Audit Committee, the Executive Remuneration Committee and the Staff Governance Committee.

The Audit Committee comprised Ms M Williamson (Chair), Professor J Cromarty, Professor J Davies and Ms C Whipps. The Audit Committee met on four occasions during the year ending 31 March 2005, to consider matters pertaining to Board finances, corporate governance and risk management. The Audit Committee currently does not contain a member who has recent relevant financial expertise since Ms M Williamson demitted office on 31 March 2005. However NHS QIS is hoping that such a person will be appointed to the Audit Committee in 2005/06.

The Executive Remuneration Committee comprised Lord Naren Patel (Chair), The Very Reverend G Forbes, Mr G Jamieson and Ms M O'Neill. The Remuneration Committee met twice in the year ending 31 March 2005, to consider matters pertaining to terms and conditions of employment of the Directors and those senior staff on the executive pay scale.

The Staff Governance Committee comprised The Very Reverend G Forbes (Chair), Ms M O'Neill, Mr G Jamieson and Ms F Dagge-Bell (Employee Director). The Staff Governance Committee met on four occasions during the year ending 31 March 2005, to consider matters relating to staff governance and pay modernisation.

10 Board members' and senior managers' interests

Interests of Board members during the year are shown below.

NAME	INTEREST
Executive Members	
Dr David Steel	NHS Quality Improvement Scotland – Chief Executive
Ms Elizabeth Campbell	NHS Quality Improvement Scotland – Nurse Director NHS Lothian – Director of Nursing, West Lothian Division Member of the Royal College of Nursing
Board Chairman	
Lord Naren Patel	Dundee University - Honorary Consultant Stroke Association - Council member QUIT – Vice-President South Asia Health Foundation – Patron House of Lords – Life Peer and Member Science & Technology Committee Armed Forces Pay Review Body – member Medical Research Council – Chairman, Stem Cell Oversight Committee
Board Members	
Dr Denise Coia ¹	Greater Glasgow Primary Care Division – Consultant Psychiatrist NHS Greater Glasgow – Mental Health Advisor Royal College of Psychiatrists (Scottish Division) – Chairman
Professor John Cromarty ¹	Highland Direct Health Services (Operations) – Chief Pharmacist Amicus – member

NHS Quality Improvement Scotland

NAME	INTEREST
Mr John Forsythe	Royal Infirmary of Edinburgh – Consultant Surgeon Honoraria and grants received from Fujisawa PLC, Novartis PLC, Roche PLC, Wyeth PLC in connection with work. Research carried out, partly supported by, Roche PLC, Wyeth PLC, Fujisawa PLC and Novartis PLC (no salary received from any pharmaceutical group) Specialist Advisor to the Chief Medical Officer (transplantation & organ donation) Chairman of Kidney Pancreas Advisory Group to UK Transplant (Special Health Authority with UK-wide responsibility) Chairman of the Scottish Transplant Group (Advisory Group to the Scottish Minister of Health) Vice President of the British Transplantation Society (President 2005/07) – professional body representing the multidisciplinary team involved in transplantation
Mr Gordon Jamieson	NHS Dumfries & Galloway – Director of Nursing and Allied Health Professionals
The Very Reverend Graham Forbes CBE	St Mary’s Cathedral Edinburgh – Provost (Cathedral receives NHS Quality Improvement Scotland Board Member remuneration) General Medical Council – Council member (Cathedral receives member remuneration) Scottish Criminal Cases Review Commission – Chairman
Ms Maureen O’Neill	Co-Director RBS Centre for the Older Person’s Agenda, Queen Margaret University College Member European Economic & Social Committee Director of Age Concern
Mrs Philippa Grant	Director Maggie’s Centres UK Naturally Different – Director and shareholder Cairngorms Chamber of Commerce – Director Rothiemurchus – member of family business
Mr Norman Sharp	Quality Assurance Agency for Higher Education – Director, QAA Scotland LEAD Scotland (Linking Education and Disability) – Non Executive Director
Ms Margaret Williamson ¹	Boardroom Development – Director, shareholder and owner
Mrs Cheynee Whipps	Accura Health Ltd – Shareholder Forth Valley Primary Care Division – Quality Manager (Mr Whipps – Husband) Propharma Ltd – Head of Quality

NHS Quality Improvement Scotland

NAME	INTEREST
Dr Colin Hunter OBE ¹	Skene Medical Group – Principal General Practitioner RCGP (London) – Honorary Treasurer and adviser NHS Education Scotland – National Co-ordinator for Primary Care British Medical Association – member
Professor John Davies	University of Strathclyde – Professor of Psychology Human Factors Analysts Ltd – Director and Shareholder Glasgow Council on Alcohol – Non Executive Director
Ms Fiona Dagge-Bell	NHS Quality Improvement Scotland – Professional Practice Development Officer Member of the Council of the Royal College of Midwives Trustee of the Royal College of Midwives Trust Lothian NHS Board – Supervisor of Midwives Armed Forces – Lowland Region Employers Support Group Member
Mr Brian Beacom MBE	Manager, North Glasgow Community Health Project Non Executive Director, State Hospitals Board (until Dec 04) Chairman, Priesthill Barratt Community Development Trust Chairman, South Glasgow University Trust Research Ethics Committee Director, North Glasgow Healthy Living Community Ltd Director, Hillwood Community Development Trust Ltd Chairman, Scottish Health Council (from 1 Oct 04)
Senior Staff	
Mr Michael Bews	NHS Quality Improvement Scotland – Director of Guidance and Standards
Mr Ben Carter	NHS Quality Improvement Scotland - Director of Planning and Resource Management
Dr Harpreet Kohli	NHS Quality Improvement Scotland – Medical Advisor and Head of Clinical Effectiveness Co-ordination Community Representative, NHS Greater Glasgow Board, Ethnic Minority Health Advisory Committee Member, Association of Indian Organisations (Scotland), Health Advisory Committee Member, Medical Practitioners Union
Mrs Jan Warner	NHS Quality Improvement Scotland – Director of Performance Assessment and Practice Development

NAME	INTEREST
Mr Richard Norris	Director of the Scottish Health Council Member of the Board of Management of the Centre for Scottish Public Policy (from 1 Feb 05)
Mrs Pamela McLauchlan	NHS Quality Improvement Scotland – Head of Finance
Ms Kathlyn McKellar	NHS Quality Improvement Scotland – Head of Human Resources

Footnote 10

1 Dr D Coia, Professor J Cromarty, Ms M Williamson and Dr C Hunter demitted office 31 March 2005.

11 Human resources

The new organisational structure for NHS QIS was implemented on 1 April 2004. Since that time, Human Resource (HR) activity has focused on consolidating the new structure and devising HR strategies to support new organisational development.

Additional recruitment to the HR team took place in July 2004 to take forward a substantial Staff Governance agenda.

In September 2004, Staff Governance was set in statute and forms part of the Public Accountability Review process. Some of the key achievements during 2004/05 under Staff Governance include the following:

- the implementation of partnership working across the organisation including the appointment of an Employee Director, the establishment of a Partnership Forum and providing increased opportunity for staff involvement
- the implementation of the learning and development role and of a performance and development review system to inform learning plans
- the development, training and implementation of HR policies in line with Partnership Information Network (PIN) guidelines to ensure legislative requirements are met and to harmonise practices across the predecessor organisations
- the establishment of a Health and Safety Committee, training and working towards establishing good health and safety practice
- the development of a Fair For All Team to mainstream equality and diversity throughout all areas of organisational activity, and
- the achievements of the Healthy Workplace Working Group, a staff led initiative taking forward a range of activities working towards achievement of Scotland's Health at Work (SHAW) bronze award, which was funded by the Scottish Executive with ring-fenced funding.

During this key period of organisational development, there have been a number of significant change projects, most notably, the Transfer of Undertakings (Protection of Employment) (TUPE) transfer of SIGN into NHS QIS which took effect from 1 January 2005 and the creation of the SHC structure within NHS QIS effective from 1 April 2005. The new structure has involved the transfer of NHS Board staff from Local Health Councils into the new organisation and has added a new dimension to the challenges facing NHS QIS, requiring staff and resources to be managed on a Scotland-wide basis.

During 2004/05, NHS pay modernisation, Agenda for Change, has taken centre stage. There are significant challenges in managing the key processes in line with the agreed partnership principles, releasing staff to ensure that the national timetable is met, while seeking to minimise the impact on the organisation's work programme.

Looking forward, there are a number of key areas of activity already on the horizon. NHS QIS is required to develop a Workforce Plan and also a Board Development Plan. Clearly stabilising the new organisation must be a future priority, building on the organisational development agenda already established. However, the implementation of Agenda for Change, which will continue throughout the coming year, and the consequences stemming from the decision to relocate to Glasgow, are unsettling for staff who have been through a period of considerable change. Every effort will be made through good HR practice to ensure that staff are fully involved, and that the effects of change and uncertainty are appropriately and sensitively managed.

As an equal opportunities employer, NHS QIS welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of NHS QIS.

NHS QIS provides employees with information on matters of concern to them as employees through the Partnership Forum and consults employees or their representatives so their views are taken into account in decisions affecting their interests.

12 Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. From the inception of the Board to the financial year 2005/06, the Auditor General appointed Scott-Moncrieff to undertake the audit of the NHS Quality Improvement Scotland Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Board

Accounts for the Financial Year ended 31 March 2005

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer (PAO) of the Scottish Executive has appointed me as Accountable Officer of NHS Quality Improvement Scotland.

This designation carries with it responsibility for the propriety and regularity of financial transactions under my control and for the economical, efficient and effective use of resources placed at the Board's disposal.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of 13 December 2002.



.....
Chief Executive

28 July 2005

Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Board

Accounts for the Financial Year ended 31 March 2005

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.....
Chief Executive

28 July 2005

Statement of Board Members' Responsibilities in Respect of the Accounts

Accounts for the Financial Year ended 31 March 2005

Under the National Health Service (Scotland) Act 1978, the Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Board as at 31 March 2005 and of its operating costs for the year then ended. In preparing these accounts, the Board Members are required to:

- apply on a consistent basis the accounting policies and standards approved for NHSScotland by Scottish Ministers
- make judgements and estimates that are reasonable and prudent
- state where applicable accounting standards have not been followed where the effect of the departure is material, and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The NHS Quality Improvement Scotland Board Members are responsible for ensuring proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Executive Health Department. They are also responsible for safeguarding the assets of the Board, and hence, taking reasonable steps for the prevention of fraud and other irregularities.

The Board Members of NHS Quality Improvement Scotland confirm that the above responsibilities have been discharged during the period 1 April 2004 to 31 March 2005 and in preparing the accounts.



.....
Head of Finance



.....
Chairman

28 July 2005

Statement on Internal Control

Accounts for the Financial Year ended 31 March 2005

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and accords with guidance from Scottish Executive Finance.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- a Board which meets regularly to consider the plans and strategic direction of the organisation (the Board comprises the senior members of the organisation and external independent members)
- periodic reports from the chairman of the staff governance, executive remuneration and audit committees, to the Board, concerning any significant matters of governance and internal control
- regular reports by internal audit which include PricewaterhouseCoopers' independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects
- a regular programme of facilitated workshops to identify and keep up to date the record of risks facing the organisation
- a programme of risk awareness training
- implementation of a robust prioritisation methodology based on risk ranking and cost/benefit analysis
- establishment of key performance and risk indicators
- maintenance of an organisation-wide risk register, and
- procedures and policies in use including those relating to fraud and irregularity.

During 2004/05 the following internal controls were put in place:

A substantial amount of work has been completed in developing an IMT (Information Management and Technology) strategy. A draft IMT strategy was approved in December 2004, and this was finalised in March 2005.

NHS Quality Improvement Scotland

Issues raised in previous years have now been achieved, which include:

- formal review of current action plan and risk register
- a formal programme of risk awareness training was delivered to staff in the summer of 2004
- risk management monitored by the Board through the Audit Committee
- communication of the risk management policy and strategy to all stakeholders, and
- availability of risk management policy on the NHS QIS website.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

Signed:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

.....
Chief Executive

28 July 2005

Independent Auditors' Report

To the members of NHS Quality Improvement Scotland, the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements on pages 20 to 50 under the National Health Service (Scotland) Act 1978. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on pages 25 to 30.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Board Members, Accountable Officer and Auditors

As described on pages 14 to 15 the Board, and the Chief Executive as Accountable Officer of the Board, are responsible for the preparation of the financial statements in accordance with the National Health Service (Scotland) Act 1978 and directions made there under. The Chief Executive is also responsible for ensuring the regularity of expenditure and income. The Board and Accountable Officer are also responsible for the preparation of the Directors' Report. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made there under and whether, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the statement on pages 16 and 17 complies with the guidance issued by the Scottish Executive Health Department Corporate Governance: Statement on Internal Control. We report if, in our opinion, the statement does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinions

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and the Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

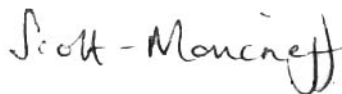
Opinions

Financial statements

In our opinion the financial statements give a true and fair view of the state of affairs of NHS Quality Improvement Scotland as at 31 March 2005 and of its net operating cost, total recognised gains and losses and cash flows for the 12 months then ended and have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder.

Regularity

In our opinion, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.



.....
Scott-Moncrieff
17 Melville Street
Edinburgh EH3 7PH

28 July 2005

Operating Cost Statement

For The 12 Month Period Ended 31 March 2005

2003/04 £000		Note	2004/05 £000
588	Administration Costs	3.1	822
9,043	Other Non Clinical Costs	3.2	10,815
0	Less: Other Income	4.0	(45)
9,631	Net operating costs		11,592

SUMMARY OF RESOURCE OUTTURN

9,631	Net operating costs	11,592
9,631	Net resource outturn	11,592
10,198	Revenue resource limit	12,105
567	Saving/(excess) against revenue resource limit	513

MEMORANDUM OF THE YEAR OUTTURN

(522)	Brought forward (surplus) from previous financial year	(567)
45	Savings/(excess) against in year revenue resource limit	(54)

The Notes to the accounts, numbered 1 to 14 on the following pages, form an integral part of these accounts.

Balance Sheet

For the 12 Month Period ended 31 March 2005

2003/04 £000		Note	2004/05 £000	2004/05 £000
	Fixed assets			
213	Tangible fixed assets	7	354	
<u>213</u>				354
	Current assets			
0	Stocks	8	0	
167	Debtors	10	291	
602	Cash at bank and in hand	9	355	
<u>769</u>				646
	Current liabilities			
(2,371)	Creditors due within 1 year	10	(2,335)	
<u>(2,371)</u>				(1,689)
(1,602)	Net current liabilities			(1,689)
(1,389)	Total assets less current liabilities			(1,335)
(340)	Provisions for liabilities and charges	10		(437)
(1,729)				(1,772)
	Financed by:			
(1,729)	General fund	11		(1,772)
(1,729)				(1,772)

Adopted by the Board on 28 July 2005

Pamela McCallan

.....
Head of Finance

[Signature]

.....
Chief Executive

The Notes to the accounts, numbered 1 to 14 on the following pages, form an integral part of these accounts.

Cash Flow Statement

For the 12 Month period ended 31 March 2005

2003/04 £000		Note	2004/05 £000	2004/05 £000
	Operating activities			
(9,404)	Net cash outflow from operating activities			(11,382)
	Capital expenditure			
(37)	Payment to acquire tangible fixed assets		(216)	
(37)	Net cash outflow for capital expenditure			(216)
(9,441)	Net cash outflow before financing			(11,598)
	Financing			
8,686	Funding	11	11,599	
545	Movement in general fund working capital		(248)	
9,231	Cash drawn down		11,351	
734	Payments on behalf	11	0	
9,965	Net cash inflow from financing			11,351
524	Increase/(decrease) in cash in year			(247)
	Note 1: reconciliation of operating cost to operating cash flow			
(9,631)	Net operating cost for the year	Form 1		(11,592)
(8)	Expenditure not involving payment of cash	2		25
235	Net movement on working capital	Form 3.2		185
(9,404)	Operating cash outflow			(11,382)
	Note 2: reconciliation of net cash flow to movement in net debt/cash			
524	Increase/(decrease) in cash in year			(247)
524	Movement in net cash in year			(247)
78	Net cash at beginning of year			602
602	Net cash at end of year	9		355

Cash Flow Statement/Movement on Working Capital

For the 12 Month period ended 31 March 2005

Movement on working capital balances	Opening Balances £000	Closing Balances £000	Cash flow £000
Debtors			
Due within one year	167	291	
Due after more than one year	0	0	
	<u>167</u>	<u>291</u>	
Net Increase			(124)
Creditors			
Due within one year	2,371	2,335	
Less: general fund creditor included in above	(602)	(354)	
	<u>1,769</u>	<u>1,981</u>	
Net Increase			212
Provisions			
Balance sheet	<u>340</u>	<u>437</u>	
Net increase			97
Net movement increase			185

Statement of Recognised Gains and Losses

For the 12 Month period ended 31 March 2005

2003/04 £000		Note	2004/05 £000
0	Net gain on revaluation of tangible fixed assets	7	0
0	Net gain on revaluation of intangible fixed assets		0
0	Total recognised gains for the year		0

Notes to the Accounts**Accounting Policies****For the Financial Year ended 31 March 2005****1 Authority**

The accounts have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury. The particular accounting policies adopted by NHS Quality Improvement Scotland (NHS QIS) are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

2 Going concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

Under the revised accounting arrangements now in force, Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the Scottish Executive Health Department. This has resulted in net liabilities on the Balance Sheet. The Balance Sheet reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Executive Health Department. Accordingly the accounts have been prepared on the going concern basis.

3 Accounting convention

The accounts are prepared on a historical cost basis modified to reflect changes in the value of fixed assets at their value to the business by reference to their current costs.

4 Funding

Most of the expenditure of NHS Quality Improvement Scotland as commissioner is met from funds advanced by the Scottish Executive Health Department (SEHD) within an approved revenue resource limit. If NHS Quality Improvement Scotland underspends against the approved revenue resource limit, the balance may be carried forward to the following year, subject to restraints imposed by the Scottish Executive Health Department. Cash drawn down to fund expenditure within this approved revenue resource limit will be credited to the general fund.

Miscellaneous income is income receivable by NHS Quality Improvement Scotland and should not be included as funding.

For non-discretionary expenditure, a notional allocation is assumed, equal to actual expenditure.

Funding for the acquisition of fixed assets received from the Scottish Executive Health Department is credited to the general fund.

5 Fixed assets

The treatment of fixed assets in the accounts (capitalisation, valuation, depreciation, and particulars concerning donated assets) is in accordance with the Resource Accounting Manual.

Title to properties included in the accounts is held by Scottish Ministers.

5.1 Capitalisation

All assets falling into the following categories are capitalised:

- tangible assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000
- assets of lesser value may be capitalised where they form part of a networked computer system purchased at approximately the same time and cost over £5,000 in total, or where they are part of the initial costs of equipping a new development and total over £5,000, and
- Intangible assets, which can be valued, are capable of being used in a Board's activities for more than one year and have a replacement cost equal to or greater than £5,000.

5.2 Valuation

Fixed assets are valued as follows.

Specialised NHS land, buildings, installations and fittings are stated at depreciated replacement cost, other than surplus land and buildings, which are stated at their open market value. Non specialist land and buildings, such as offices, are stated at the lower of their replacement cost or recoverable amount.

Valuations of all land and building assets within NHSScotland are reassessed by valuers appointed by the Scottish Ministers under a rolling 5 year programme or professional valuations and appropriate indices in intervening years. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Executive Health Department.

Equipment is valued at the lower of its net replacement cost or recoverable amount. The net replacement cost is the replacement cost of the asset as new, depreciated in respect of its remaining useful life. The recoverable amount will only be used when the decision has been made to dispose of the asset.

Assets in the course of construction are valued at current cost. This is calculated as the level of expenditure incurred to which an appropriate index is applied to arrive at current value.

To meet the underlying objectives established by the Scottish Executive Health Department, the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than a modern substitute basis
- no adjustment has been made to the cost figures of operational assets in respect of dilapidations, and
- additional alternative Open Market Value figures have only been supplied for specialised operational assets scheduled for imminent closure and subsequent disposal.

Impairment:

Losses in value reflected in valuations are accounted for in accordance with Financial Reporting Standard 11. The consumption of economic benefits is charged to the operating cost statement described as impairments. Decreases in asset value that relate to fluctuations in market prices are first charged to the element of the revaluation reserve relating to the asset and that amount is recognised in the Statement of Recognised Gains and Losses. Further losses, beyond the level of the revaluation reserve relating to that asset, are charged to the operating cost statement, except where it is anticipated that the reduction in value will reverse in the foreseeable future.

5.3 Depreciation

Depreciation is charged on each main class of tangible asset as follows.

- Freehold land and assets in the course of construction are not depreciated.
- Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the appointed valuer. The actual remaining lives of the building elements are assessed in the context of the maximum useful lives for building elements.
- Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

Asset category/component	Useful life (years)
Other land and buildings	5
Plant and machinery	5
Information technology	5
Fixtures and fittings	5

5.4 Donated assets

Fixed assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the full replacement cost of the asset. The value of donated assets will be credited to the Donated Asset Reserve, and the accounting treatment, including the method of valuation, will follow the rules in the Capital Accounting Manual. Where a donation covers only part of the total cost of the asset concerned, only that part element will be included in the Donated Asset Reserve.

5.5 Sale of fixed assets

Disposal of fixed assets is accounted for as a reduction to the value of fixed assets equal to the net book value of the assets disposed. When set against any sales proceeds, this is the gain or loss on disposal, which will be recorded in the operating cost statement.

5.6 Leasing

Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after more than one year. The asset is subject to indexation and revaluation and is depreciated on its current fair value over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period, or a reasonable approximation thereto.

Rentals under operating leases are charged on a straight-line basis.

5.7 Intangible assets

Intangible assets, such as software licences, are capitalised when they are capable of being used in NHS Quality Improvement Scotland's activities for more than one year, they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight-line basis. The carrying value of intangible assets is reviewed for impairments at

the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter term of the licence and their useful economic lives.

6 Research and development

Expenditure on research and development is written off to revenue as it is incurred, except insofar as it relates to a clearly defined project, the benefits from which can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits and is amortised through the operating cost statement basis over the period expected to benefit from the project.

7 Debtors and creditors

Debtors and creditors have been assessed on the basis of goods and services supplied or received up to and including 31 March 2005, for which payment had not been received or made by that date.

8 Stocks

Taking into account the high turnover of NHS stocks, the use of average purchase price is deemed to represent the lower of cost and net realisable value. Work in progress is valued at the cost of the direct materials plus the conversion costs incurred to bring the goods up to their present degree of completion.

9 Losses and special payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the NHS not been bearing its own risks. Had the NHS provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

10 Pension costs

NHS Quality Improvement Scotland contributes to the NHS Superannuation Scheme for Scotland. Contributions to this scheme and other schemes are determined on the basis of recommendations made by the Government Actuary. The pension cost charged to the operating cost statement is based on an actuarial assessment of the cost to be borne by NHS Quality Improvement Scotland.

11 Clinical and medical negligence costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to an annual limit based on the revenue allocations or expected income in the case of NHS Trusts. Costs above this limit are

reimbursed to employing authorities from a central fund held by the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) on behalf of the Scottish Executive Health Department. Clinical negligence costs may also be reimbursed in part by the Scottish Executive Health Department.

12 Related party transactions

Financial Reporting Standards (FRS) 8 requires disclosure of material-related party transactions. Transactions with health bodies, e.g. sharing administration costs, or with individuals are disclosed if material.

13 Liquid resources

Investments, which are not accessible within 24 hours without loss of interest, but which do not mature in a period greater than one year, are classified as current asset investments in the Balance Sheet. Net cash at bank, includes deposits and overdrafts are deducted in arriving at the figure disclosed in the cash flow statement. The amounts shown in the Balance Sheet are analysed between Cash At Bank And In Hand and Overdrafts, which are included in creditors. The amount shown in the cash flow statement includes deposits, cash and credit balances less overdrafts.

14 Value added tax

Most of the activities of NHS Quality Improvement Scotland are outside the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Notes to the Accounts

Other operating costs

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
The operating cost statement has been charged/ credited (-) with the following:		
Capital Charges:		
73	Depreciation	75
(81)	Cost of Capital	(61)
0	Other non cash costs	11
(8)	Total Expenditure not paid in cash	25
118	Travel, Subsistence and Hospitality	193
Operating lease rentals:		
33	Hire of equipment	39
302	Other operating leases	345
335	Total	384
Statutory audit		
26	Payments to Audit Scotland for the procurement of audit	31

Commitments on operating lease rentals, payable in the following year:

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the leases expire.

Leases for land and buildings		
72	Within one year	0
0	Between two and five years (inclusive)	242
230	After five years	173
Other Operating leases		
23	Within one year	0
10	Between two and five years (inclusive)	27
0	After five years	1

Notes to the accounts

Administration costs

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
	Administration Costs	
225	Board Members' remuneration	277
130	Administration of Board meetings and committee	279
110	Corporate Governance and Statutory Reporting	137
	Health Planning, Commissioning and Performance	
41	Reporting	46
47	Treasury Management and Financial Planning	35
35	Public Relations	48
588	Total Administration Costs	822

Notes to the Accounts

Non Clinical Costs

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
	Non Clinical Costs	
	Other	391
2354	▪ Standards and Review	
2854	▪ Clinical Effectiveness	
893	▪ Health Technology	
2942	▪ Corporate ¹	
	▪ Planning and Resource Management ²	3776
	▪ Guidance and Standards ³	3602
	▪ Performance Assessment and Practice Development ⁴	3046
9,043	Total Non Clinical Costs	10,815

Footnotes 3.2

The structure of the organisation changed significantly between 2003/04 and 2004/05 which has been reflected in Notes 2-6.

- 1 Corporate Services (2003/04) includes: Communication Services, Patient and Public Involvement, Information Services, Property Services, Investigations, Human Resources, Corporate Admin, Finance Services, and Corporate Planning.
- 2 Planning and Resource Management (2004/05) includes: Communications, Patient focus and public involvement, Information Services, Human Resources, Finance, Planning and Quality Management, SMC and Office Services (In 2004/05, Corporate Services became part of the Planning and Resource Management Directorate).
- 3 Guidance and Standards (2004/05) includes: Health Services Research and Assessment, Clinical Effectiveness Co-ordination, Standards and Development Unit and SIGN.
- 4 Performance Assessment and Practice Development (2004/05) includes: Practice Development, Clinical Governance and Patient Safety Support and Performance Assessment.

NOTE 4

Notes to the Accounts

Operating Income

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
	Operating Income	
0	Other	45
0	Total Operating Income	45

NOTE 5.1

Notes to the Accounts

Board Members' and Senior Employees' Remuneration

For the Financial Year ended 31 March 2005

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION - CURRENT YEAR

	Salary Cost to NHS QIS*	Real increase in pension at Age 60	Total accrued pension at Age 60 at 31 March	Cash equivalent Transfer Value (CETV) at 31 March 2004	Cash equivalent Transfer Value (CETV) at 31 March 2005	Real increase in CETV in year	Benefits in kind	
	(bands of £5k)	(bands of £5k)	(bands of £5k)	£000	£000	(bands of £5k)	£000	
Remuneration of:								
N 1	Chief Executive - Dr D Steel	115-120	0-5	35-40	630	688	50-55	0
	Nursing Director – Miss E Campbell	20-25	0-0	0-0	0	0	0-0	0
Non-executive members:								
	The Chairman - Lord Patel	25-30	0-0	0-0	0	0	0-0	0
N2/7	Dr D Coia	5-10	0-0	0-0	0	0	0-0	0
N2/7	Professor J Cromarty	5-10	0-0	0-0	0	0	0-0	0
N 2	Mr J Forsythe	5-10	0-0	0-0	0	0	0-0	0
N 2	Mr G Jamieson	5-10	0-0	0-0	0	0	0-0	0
N 3	The Very Reverend G Forbes	5-10	0-0	0-0	0	0	0-0	0
	Ms M O'Neill	5-10	0-0	0-0	0	0	0-0	0
	Mrs P Grant	5-10	0-0	0-0	0	0	0-0	0
N4	Mr N Sharp	5-10	0-0	0-0	0	0	0-0	0
N 7	Ms M Williamson	5-10	0-0	0-0	0	0	0-0	0
	Ms C Whipps	5-10	0-0	0-0	0	0	0-0	0
N2/7	Dr C Hunter	5-10	0-0	0-0	0	0	0-0	0
	Professor J B Davies	5-10	0-0	0-0	0	0	0-0	0
N 8	Ms F Dagge-Bell	5-10	0-0	0-0	0	0	0-0	0
N 5	Mr B Beacom	10-15	0-0	0-0	0	0	0-0	0
Other senior employees:								
	Mr M Bews (Dir of Guidance & Standards)	70-75	0-0	0-0	0	0	0-0	0
	Mr B Carter (Dir of Planning & Resource Mgt)	60-65	0-5	0-5	0	7	0-5	0
	Dr H Kohli (Head of Clinical Effectiveness)	130-135	5-10	30-35	355	461	95-100	3
	Ms J Warner (Dir of Performance Assessment)	80-85	0-5	10-15	146	167	15-20	0
N 6	Mr R Norris (Dir of Scottish Health Council)	5-10	0-0	0-0	0	0	0-0	0
	Mrs P McLauchlan (Head of Finance)	45-50	0-5	10-15	161	177	10-15	0
	Ms K McKellar (Head of HR)	45-50	0-5	0-5	0	7	0-5	0
Total		0	0	0	1,292	1,507	0	3

N = refer to note

* The Salary costs include Superannuation Contribution (14%), Employers National Insurance Contributions and any backdated pay awards from prior years.

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme can be found in Note 14.

Expenses and benefits paid to self-employed Board Members are not disclosed as remuneration as these allowances are not subject to tax deductions or P11D disclosure.

N1 The service of Miss E Campbell, Nurse Director (part time from 1 August 2004) were received on a secondment basis from NHS Lothian – West Lothian Healthcare Division. Miss Campbell did not receive personal reimbursement.

N2 Payment for the services of:

- Dr D Coia was made directly to Greater Glasgow NHS Board,
- Professor J Cromarty was made directly to Highland NHS Board,
- Mr J Forsythe was made directly to Lothian NHS Board,
- Mr G Jamieson was made directly to Dumfries & Galloway NHS Board,
- Dr C Hunter was made directly to Westhill Health Consultancy.

N3 Payment for the services of The Very Reverend G Forbes was made directly to St Mary's Cathedral, Edinburgh.

N4 Payment for the services of Mr Norman Sharp was made directly to the Quality Assurance Agency for Higher Education.

These Board Members, therefore, did not receive personal reimbursement.

N5 Mr B Beacom's remuneration reflects his position as chair of Scottish Health Council.

N6 Mr R Norris (Director of SHC) commenced employment on 1 February 2005.

N7 Dr D Coia, Professor J Cromarty, Ms M Williamson and Dr C Hunter demitted office 31 March 2005.

N8 Ms F Dagge-Bell's remuneration only relates to her Board activities as Employee Director, which she commenced on 1 July 2004

Higher Paid employees' remuneration

Other employees whose remuneration fell within the following ranges;

	No of staff 2004/05	No of staff 2003/04
£50,000 to £60,000	1	0
£60,001 to £70,000	2	0
£70,001 to £80,000	1	0

PRIOR YEAR COMPARITORS – 2003/04

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION – PRIOR YEAR

	Salary (bands of £5k)	Real increase in pension at Age 60 (bands of £5k)	Total accrued pension at Age 60 at 31 March (bands of £5k)	CETV at 31 March 2003 £000	CETV at 31 March 2004 £000	Real increase in CETV in year (bands of £5k)	Benefits in kind £000	
Remuneration of:								
	Chief Executive - Dr D Steel	105-110	0-5	35-40	517	622	70-75	0
Non-executive members:								
N 1	The Chairman - Lord Patel	30-35	0-0	0-0	0	0	0-0	0
N 2	Dr D Coia	5-10	0-0	0-0	0	0	0-0	0
N 2	Professor J Cromarty	5-10	0-0	0-0	0	0	0-0	0
N 2	Mr J Forsythe	5-10	0-0	0-0	0	0	0-0	0
N 2	Mr G Jamieson	5-10	0-0	0-0	0	0	0-0	0
N 3	The Very Reverend G Forbes	5-10	0-0	0-0	0	0	0-0	0
	Ms M O'Neill	5-10	0-0	0-0	0	0	0-0	0
	Mrs P Grant	5-10	0-0	0-0	0	0	0-0	0
N 4	Mr N Sharp	5-10	0-0	0-0	0	0	0-0	0
	Ms M Williamson	5-10	0-0	0-0	0	0	0-0	0
	Ms C Whipps	5-10	0-0	0-0	0	0	0-0	0
N 2	Dr C Hunter	5-10	0-0	0-0	0	0	0-0	0
	Professor J B Davies	5-10	0-0	0-0	0	0	0-0	0
Other senior employees:								
	Ms R Hotchkiss (Int Dir of Prac Dev)	60-65	0-5	5-10	102	121	10-15	0
N 5	Mrs H Soutar (Interim Director of Fin)	20-25	0-0	0-0	0	0	0-0	0
	Ms J Warner (Int Dir of Standards & Reviews)	70-75	0-5	10-15	117	144	15-20	0
N 6	Ms N Wilson (Interim Director of HR)	60-65	0-0	0-0	0	0	0-0	0
	Mr D Hutchens (Dir of Plann & Corp Aff, HTA)	45-50	0-0	10-15	159	150	0	0
	Dr H S Kohli (Medical Director, HTA)	95-100	0-5	20-25	302	336	10-15	3
	Ms F Smith (Dir of Nursing & Quality, Stds & Reviews)	55-60	*	*	*	*	*	2
N 7	Mr B Carter (Dir of Plann & Resources)	5-10	0-0	0-0	0	0	0-0	0
N 8	Mr F Frisby (Interim Dir of Finance)	30-35	0-0	0-0	0	0	0-0	0
	Ms A Blakely (Advisor)	60-65	*	*	*	*	*	4
	Ms J Craig (Snr Health Economist)	#	#	#	#	#	#	#
	Mr J Slattery (Principal Statistical Epidemiologist)	60-65	0-5	10-15	138	154	5-10	0
N 7	Mrs P McLauchlan (Head of Finance)	0-5	0-5	10-15	140	156	5-10	0
N 7	Ms K McKellar (Head of HR)	5-10	0-0	0-0	0	0	0-0	0
	Mrs A Single (Dir of Comm & Public Involv HTA)	55-60	0-5	0-5	13	19	0-5	0
N 9	Professor K M Facey (Int Dir of HTA)	45-50	*	*	*	*	*	0
Total								
		-	-	-	-	-	-	-

N = refer to note

= Consent withheld

* = Consent unobtainable

Footnotes 5.2

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme can be found in Note 14.

Expenses and benefits paid to self-employed Board Members are not disclosed as remuneration as these allowances are not subject to tax deductions or P11D disclosure.

N1 The services of Lord Patel, Chairman, are included under a Service Level Agreement with Tayside University Hospitals NHS Trust to 31 July 2003 (inclusive). Lord Patel did not receive personal reimbursement for that period. The Chairman's remuneration was paid by NHS Quality Improvement Scotland with effect from 1 August 2003.

N2 Payment for the services of:

- Dr D Coia was made directly to Greater Glasgow Health Board
- Professor J Cromarty was made directly to Highland Acute Hospitals NHS Trust
- Mr J Forsythe was made directly to Lothian University Hospitals NHS Trust
- Mr G Jamieson was made directly to Dumfries & Galloway Acute & Maternity Hospitals NHS Trust, and
- Dr C Hunter was made directly to Westhill Health Consultancy.

These Board members therefore did not receive personal reimbursement.

N3 Payment for the services of The Very Reverend G Forbes was made directly to St Mary's Cathedral.

N4 Payment for the services of Mr Norman Sharp was made directly to the Quality Assurance Agency for Higher Education.

N5 The services of Mrs H Soutar, Interim Director of Finance (part time from 21 January 2003 until 31 October 2003), are included under Service Level Agreements with Forth Valley Acute Hospitals NHS Trust. Mrs Soutar did not receive personal reimbursement during this period.

N6 Payment for the services of Ms N Wilson, Interim Director of HR, was part-time on a consultancy basis until 27 February 2004.

N7 Mr B Carter (Director of Planning and Resource), Mrs P McLauchlan (Head of Finance), Ms K McKellar (Head of HR) commenced employment on 16 February 2004, 2 February 2004 and 16 February 2004, respectively.

N8 Payment for the services of Mr Fred Frisby, Interim Director of Finance (3 November 2003 to 31 March 2004) was paid directly to Hays Accountancy Personnel.

N9 Professor K M Facey (Director of Health Technology Assessment) ceased employment on 30 September 2003.

Notes to the Accounts

Board Members and Staff Pay Costs and Staff numbers

For the Financial Year ended 31 March 2005

2003/04 £000		Executive Board Members £000	Non Executive Members £000	Permanent Staff £000	Other Staff £000	2004/05 £000 TOTAL
Board Members and staff pay costs						
2,898	Salaries and wages	120	127	3,395	465	4,107
240	Social security costs	11	5	286	0	302
135	NHS scheme employers' costs	13	0	398	0	411
244	Agency staff	0	0	0	425	425
3,517	Total	144	132	4,079	890	5,245
Staff numbers (see note below)						
37.0	Administration staff					13.6
86.2	Non Clinical staff					128.4
123.2	Total Staff					142.0

Footnote 6

Staff numbers are taken from payroll records and expressed as average whole-time equivalents.

Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland, details of the scheme can be found on Note 14.

NOTE 7

Notes to the Accounts

Tangible Fixed Assets Summary (Purchased Assets)

For the Financial Year ended 31 March 2005

	£000 Other Land and Building	£000 Plant and Machinery	£000 Information Technology	£000 Furniture and Fittings	£000 Assets under Construction	£000 Total
Cost or valuation - 1 April 2004	69	91	198	18	0	376
Additions	111	0	22	0	83	216
Transfers	0	0	0	0	0	0
Revaluation	1	0	0	0	0	1
Cost or valuation - 31 March 2005	181	91	220	18	83	593
Accumulated depreciation - 1 April 2004	27	44	89	3	0	163
Provided during the year:	14	18	40	3	0	75
Transfers	0	0	0	0	0	0
Revaluation	1	0	0	0	0	1
Accumulated depreciation - 31 March 2005	42	62	129	6	0	239
Net book value - purchased assets						
1 April 2004	42	47	109	15	0	213
31 March 2005	139	29	91	12	83	354

Footnote 7

Assets under construction relates to leasehold improvements (air conditioning) to Elliott House, one of the buildings occupied by NHS QIS.

ANALYSIS OF CAPITAL EXPENDITURE

2003/04 £000		2004/05 £000
	EXPENDITURE	
37	Acquisition of tangible fixed assets	216
37	Gross Capital Expenditure	216
37	Net Capital Expenditure	216

SUMMARY OF CAPITAL RESOURCE OUTTURN

37	Net capital expenditure as above	216
37	Capital Resource Limit	238
0	Saving against Capital Resource Limit	22

CAPITAL COMMITMENTS

2003/04 £000	The Board has the following Capital Commitments which have not been provided for in the accounts Contracted	2004/05 £000
0	For Lease holding improvements	22
0		22

Notes to the Accounts

Fixed Asset Disclosures

For the 12 month period ended 31 March 2005

2003/04 £000		2004/05 £000
	Net book value of tangible fixed assets at 31 March 05	
213	Purchased	354
213	Total	354
<u>0</u>	Net book value related to land valued at open market value at 31 March 05	<u>0</u>
<u>0</u>	Net book value related to buildings valued at open market value at 31 March 05	<u>0</u>

Land and buildings due to be valued in the year were valued by the Valuation Office Agency at 31 March 05 on the basis of existing use or market value, where no longer in use. Other tangible fixed assets were revalued on the basis of indices at 31 March 05.

The net impact was an increase/reduction in value of £0m, of which £0m was credited/charged to the revaluation reserve and £0m charged to the operating cost statement.

Notes to the Accounts

Stock

For the Financial Year ended 31 March 2005

2003/04		2004/05
£000		£000
	STOCK	
0	Raw materials and consumables	0
0	Total Stock at end of year	0

Notes to the Accounts

Cash at Bank and in Hand

For the Financial Year ended 31 March 2005

Analysis of net debt/cash	At 1/04/04 £000	Cash flow £000	At 31/03/05 £000
PGO account balance	598	(244)	354
Cash at bank and in hand	4	(3)	1
Total Cash	602	(247)	355

Notes to the Accounts

Debtors, Creditors and Provisions

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000	2004/05 £000
	DEBTORS		
	Debtors due within one year		
	NHSScotland:		
0	SEHD	8	
0	Trusts	0	
0	Total NHSScotland debtors		8
38	VAT recoverable		129
71	Prepayments and accrued income		125
58	Other debtors		29
167	Total debtors due within one year		291

	CREDITORS		
	Creditors due within one year		
	NHSScotland:		
0	Boards	232	
113	Trusts	0	
76	Total NHSScotland creditors		232
189	General fund creditor		354
602	Trade creditors		137
107	Accruals		1,445
1,372	Income tax and social security		167
101	Other creditors		0
0			
2,371	Total creditors due within one year		2,335

	Pensions £000	Other £000	Total £000
PROVISIONS FOR LIABILITIES AND CHARGES			
At 1 April 2004	219	121	340
Arising during the year	199	109	308
Utilised during the year	(200)	(11)	(211)
At 31 March 2005	218	219	437

Notes to the Accounts

General Fund

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000	2004/05 £000
(1,437)	General Fund Opening Balance		(1,729)
57	Opening general fund creditor	602	
9,231	Add cash drawn down	11,351	
(602)	Less closing general fund creditor	(354)	
<u>8,686</u>	Net Funding	<u>11,599</u>	
(9,631)	Net operating cost for the year	(11,592)	
(81)	Cost of capital	(61)	
0	Transfer of realised element of revaluation reserve	0	
734	Payments on behalf	11	
(292)	Net decrease in general fund		(43)
(1,729)			(1,772)

Notes to the Accounts

Revaluation Reserve

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
0	Opening Balance	0
0	Indexation/Revaluation of fixed Assets	0
0	Less closing general fund creditor	0
0	Closing Balance	0

Notes to the Accounts

Post Balance Sheet Events

For the Financial Year ended 31 March 2005

There have been no post balance sheet events having a material effect on the accounts.

Pension Costs

For the Financial Year ended 31 March 2005

NHS QIS participates in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost should be assessed every 5 years by the Government Actuary; details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA). However it should be noted that the 2003/04 Accounts of SPPA were qualified.

Statutory regulations require a full actuarial valuation of the Scheme's liability to be conducted every five years, although there is no reporting deadline for these periodic valuations. The Government Actuary Department (GAD) has been unable to carry out a full valuation since 1994 because of deficiencies in the pension data provided to it. For 2003/04, the GAD has applied approximate updating for known changes but reported considerable uncertainties caused by rolling forward out of date information. The auditor of SPPA has therefore issued a limitation of scope on her audit opinion because, without a more recent full actuarial valuation, the evidence available to the auditor was limited and there were no other satisfactory audit procedures that could be adopted to confirm the £8,100 million scheme liability was not materially misstated.

The Scottish Public Pension Agency (SPPA), the administrators of the Scheme, attributes the problems in providing robust pension data to a backlog of records caused by staff turnover before and after its relocation from Edinburgh to Galashiels. It is confident that relevant data will be provided to the GAD to ensure the 1999 full actuarial valuation is completed in time for the preparation of the 2004/05 accounts. The auditor will continue to monitor the progress made by SPPA in this respect.

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The NHS Board will, therefore, account for its pension costs on a defined contribution basis as permitted by Financial Reporting Standard (FRS) 17.

For 2004/05, normal employer contributions of £411,196 were payable to the SPPA (prior year £135,000) at the rate of 14% (5.5% in previous year) of total pensionable salaries. In addition, during the accounting period, the NHS Board incurred additional costs of £218,098 (prior year £218,690) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £934 million to be met by future contributions from employing authorities.

Provisions/prepayments amounting to £218,098 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

NOTE 14 ctd

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 6% (5% for manual staff) of pensionable earnings. Pensions are increased in line with the Retail Prices Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than 2 years' service. Where service exceeds 5 years, the pension is calculated using specially enhanced service, with a maximum enhancement of 10 years.

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this, the member will be able to retire on the full pension and lump sum which he/she has earned.

	2003/04	2004/05
	£000	£000
Pension cost charge for the year	135	411
Additional costs arising from early retirement	0	0
Provisions/prepayments included in the balance sheet	219	218

Allocations from Scottish Executive Health Department

For the Financial Year ended 31 March 2005

2003/04 £000		2004/05 £000
	Allocations – Unified Budget	
10,918	Revenue allocations	12,105
10,918	Total Revenue Allocations	12,105
	Capital Resource Allocations (memorandum statement)	
37	Projects below £1 million	238
37	Net decrease in general fund	238

Salaries and Wages Summary**For the Financial Year ended 31 March 2005**

2003/04		Detail	2004/05
£000		100 Range	£000
		(financial code)	
0	Specialists	85-97	0
118	Medical and Dental	70	162
0	Nursing - Trained	71	0
0	- In training	72	0
0	- Other	73	0
0	P & T A – Para-Med	74	0
0	P & T B – Para-Med	75	0
0	P & T B – Works	76	0
2,388	Administrative and Clerical	77	3,101
0	Domestic and Ancillary	78-79	0
0	Tradesmen	80	0
701	Other staff	81	1,016
3,207	Total staff costs		4,279

Summary of Losses and Special Payments

For the Financial Year ended 31 March 2005

	2004/05 £
Losses	Nil

NHS Quality Improvement Scotland

Balances and Transactions with NHS Boards in Scotland

For the Financial Year ended 31 March 2005

NHS Boards		2004/05	2004/05	2004/05	2004/05
		£000	£000	£000	£000
		Due to	Due from	Income From	Expenditure with
Argyll & Clyde Health Board	HB 01	0	0	0	0
Ayrshire & Arran Health Board	HB 02	0	0	0	0
Borders Health Board	HB 03	0	0	0	0
Dumfries & Galloway Health Board	HB 04	0	0	0	0
Fife Health Board	HB 05	0	0	0	1
Forth Valley Health Board	HB 06	0	0	0	1
Grampian Health Board	HB 07	0	0	0	0
Greater Glasgow Health Board	HB 08	0	0	0	2
Highland Health Board	HB 09	0	0	0	0
Lanarkshire Health Board	HB 10	0	0	0	0
Lothian Health Board	HB 11	0	0	0	1
Orkney Health Board	HB 12	0	0	0	0
Shetland Health Board	HB 13	0	0	0	0
Tayside Health Board	HB 14	0	0	0	1
Western Isles Health Board	HB 15	0	0	0	0
National Services Scotland	HB 16	2	0	0	6
Scottish Ambulance Service	HB 17	0	0	0	0
NHS Education for Scotland	HB 18	0	0	0	0
State Hospital's Board for Scotland	HB 19	0	0	0	0
NHS 24	HB 22	0	0	0	0
Mental Welfare Commission	MWC	0	0	0	0
NHS Health Scotland	SD004	0	0	0	0
NHS Quality Improvement Scotland	HB 24	0	0	0	0
The Golden Jubilee National Hospital	HB 23	0	0	0	0
Total Boards		2	0	0	12



NHS QUALITY IMPROVEMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in exercise of the powers conferred by sections 86(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as read with article 5(1) of and the Schedule to the NHS Quality Improvement Scotland Order 2002, (S.S.I. 2002/534), and all powers enabling them in that behalf, hereby give the following direction.

2. The accounts for the period ended 31st March 2004, and subsequent years, which the NHS Quality Improvement Scotland is required to prepare shall comprise:

- 2.1 a foreword *;
- 2.2 an operating cost statement;
- 2.3 a statement of total recognised gains and losses;
- 2.4 a balance sheet;
- 2.5 a cash flow statement;
- 2.6 a statement of accountable officer's responsibilities; and
- 2.7 a statement on the system of internal control,

including such notes as may be necessary for the purposes referred to in paragraphs 3, 4 and 5 below.

3. The accounts shall comply with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual ("RAM"), which is in force for the year for which the accounts are prepared.

4. The accounts shall give a true and fair view of the operating costs, total recognised gains and losses, balance sheet and cash flows for the financial year and of the state of affairs as at the end of each financial year.

Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

7. This direction shall be reproduced as an appendix to the accounts. This direction supersedes the one given on 19 December 2000.

Signed by the authority of the Scottish Ministers

Dated 30th December 2002.

* The Directors report in the Accounts is taken to be this foreword.

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