

Focus On Efficiency



CANADIAN AUDIT
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The Canadian Audit and Accountability Foundation is a premier Canadian research and education foundation. Our mission is to strengthen public sector performance audit, oversight and accountability in Canada and abroad. We build capacity in legislative audit offices, oversight bodies, and departments and crown corporations by developing and delivering:

- Training workshops and learning opportunities;
- Methodology, guidance and toolkits;
- Applied and advanced research;
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Focus On Efficiency

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INTRODUCTION

The Audit News *Focus On* Series is a new performance audit information product intended to help performance auditors save time and complete audit planning and examination work more rapidly.

The Series is designed to be useful for:

- Auditors preparing a strategic audit plan;
- Auditor working on the planning phase of a new performance audit; and
- Auditor managers with ongoing responsibilities for a specific topic/entity.

Each *Focus On* issue covers one broad topic that should be of interest to most performance auditors, whether they work at the provincial or the federal level.

Each issue includes:

- A short introduction to the topic and why it is important.
- A list of relevant audits and guidance material on the topic that have been released in the previous five years and compiled in the Audit News Database.
- A summary of each relevant audit selected that includes information on audit objective(s), scope, criteria, findings and recommendations.
- An analysis of the main audit areas covered by relevant audits in the past five years. For each area, a short summary is presented and examples of objectives, scope, criteria, sources of evidence, findings and recommendations are provided.
- Web links to full audit reports and guidance documents referenced in the issue.

Please contact us if you have suggestions for future topics.

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Efficiency: Why it's Important

Efficiency is about making the most out of available resources or getting the most, in term of quality and quantity, from the inputs. Put another way, efficiency means optimizing the use of resources to achieve a given outcome.

Streamlining systems and processes, using new technology, introducing innovative management approaches and reducing waste are all ways of making a more efficient use of resources. In turn, more efficient systems and practices can generate savings that free up funds that can be better used to strengthen priority areas like health care and education.

In the current context of slow economic growth and rising public deficits, more emphasis has been placed on the efficiency of the public sector in recent years. Both governments and citizens want to remove “the waste in the system” and to improve the delivery of public services while keeping their cost under control. As a result of these pressures, many government are developing and implementing wide-ranging efficiency savings programs to fight deficits and rising program costs.

Auditing efficiency is a critical part of the value-for-money mandate of many legislative audit offices, public sector internal auditors, and private sector firms engaged in public sector auditing. In the current economic context, the mandate to audit efficiency is especially important. Audits of efficiency and of efficiency savings programs have the potential to make a significant contribution to efficient government at all levels.

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OVERVIEW OF 2008-2013 EFFICIENCY AUDITS

Using the Audit News Database, we searched for efficiency audits conducted since 2008. We found about 30 audits prepared by 10 different audit offices. For the purpose of this Focus On issue, we selected 21 of these audits for further analysis. We selected audits that had a strong focus on efficiency (all these reports were published in English).

[See list of selected efficiency audits](#)

We also noted the availability of a useful guidance document on efficiency published by the Northern Ireland Audit Office in 2010:

[Improving Public Sector Efficiency – Good Practice Checklist for Public Bodies](#)

Efficiency audits produced since 2008 have covered a wide variety of public sectors, including:

- Health Care (cardiology services, orthopaedic services, emergency departments)
- Justice (prosecution and correctional services)
- Culture (radio production and grants in the culture and media sector)
- Energy & Environment (energy efficiency, recycling and irrigation programs)
- Transportation (rail transit)

After analyzing the scope of the selected audits, we determined that all the audits could be classified under one of five categories:

- Audits of **Efficiency Savings Programs**
- Audits of the **Efficiency of Public Services**
- Audits of the **Efficiency of Shared Services Programs**
- Audits of the **Efficient Use of Energy and Natural Resources**
- Audits of the **Regulation of Efficiency**

For each of these types of efficiency audits, a summary description and examples of objectives, criteria, evidence sources, findings and recommendations can be found in the [Main Audit Areas section](#).

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List of Selected Efficiency Audits, Studies and Reviews

#	Audit Office	Report Title (click on title to access summary)	Publication date
1	NAO	Progress in Making NHS Efficiency Savings	December 2012
2	NAO	Efficiency and Reform in Government Corporate Functions Through Shared Service Centres	March 2012
3	NAO	The BBC's Efficiency Programme	November 2011
4	NAO	Regulating Network Rail's Efficiency	April 2011
5	NAO	The Efficiency of National Insurance Administration	July 2010
6	NAO	Reducing the Impact of Business Waste Through the Business Resource Efficiency and Waste Program	March 2010
7	NAO	The Efficiency of Radio Production at the BBC	February 2009
8	NAO	Recruiting Civil Servants Efficiently	February 2009
9	NAO	Making Grants Efficiently in the Culture, Media and Sport Sector	May 2008
10	Audit Scotland	Cardiology Services	February 2012
11	Audit Scotland	Improving Energy Efficiency – A Follow-up Report	December 2010
12	Audit Scotland	Review of Orthopaedic Services	March 2010
13	Audit Scotland	Improving Public Sector Efficiency	February 2010
14	Audit Scotland	Improving Energy Efficiency	December 2008
15	NIAO	Review of the Efficiency Delivery Programme	December 2012
16	VAGO	Energy Efficiency in the Health Sector	September 2012

17	VAGO	Irrigation Efficiency Programs	June 2010
18	New South Wales	Efficiency of the Office of the Director of Public Prosecutions	March 2008
19	OAG-Canada	Economy and Efficiency of Services – Correctional Service Canada	December 2008
20	OAG-Ontario	Criminal Prosecutions	December 2012
21	OAG-Ontario	Hospital Emergency Departments	December 2010

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MAIN AUDIT AREAS

1. Efficiency Savings Programs

Description: Efficiency savings programs have become more widespread in recent years as government struggle to limit their expenses and deficits during a period of slow economic growth. These programs, implemented within a single organization or across a whole government, are systematic attempts to identify inefficiencies, waste and other opportunities for reducing costs while maintaining service levels.

Audits of Efficiency Savings Programs tend to focus on:

- The progress made against savings targets and the challenges to meeting future targets;
- The quality and sufficiency of financial and performance information (essential to assess the extent of efficiencies achieved);
- The distinction between genuine efficiency savings from savings that adversely affect services, transfer costs to service users or postpone costs into the future;
- The distinction between short-term, non-recurrent savings and long-term, sustainable savings;
- The management and governance of the Programs; and
- The reporting of performance information about the Programs.

[Click here for examples of objectives, criteria, findings, recommendations and more](#)

2. Efficiency of Public Services

Description: Public services like social security, health care and crime prosecution are common to most jurisdictions and are often characterized by repetitive activities and processes that can be measured, analyzed and compared in order to identify inefficiencies and opportunities for improvement. Audits of public services are the most common type of efficiency audits.

Audits of Public Services Efficiency tend to focus on whether entities:

- have systems and procedures in place to deliver efficient and timely services;
- have identified good practices and successfully implemented initiatives to improve service delivery efficiency;
- can demonstrate that they are efficient and using best practices;
- have established service levels and efficiency targets and are comparing their performance to similar organizations;

- have complete and reliable information on the costs and efficiency of their services;
- have information systems that support efficient management; and
- report on the efficiency of their service delivery.

[Click here for examples of objectives, criteria, findings, recommendations and more](#)

3. Efficiency of Shared Services Programs

Description: One common way governments seek to achieve efficiencies and economies of scale is by regrouping various public services under a single organization (Service Canada is one example). By sharing common back-office and administrative functions, as well as similar systems, it is expected that shared services can provide a similar level of service more economically and efficiently. Few audits of Shared Services Programs have been completed in the last five years.

Audits of Shared Services Programs can focus on:

- Whether the shared services approach has delivered its expected benefits and provided value-for-money to the taxpayers;
- Whether implementation of the programs proceeded as planned;
- The availability of baseline cost information to be used to assess the success of the shared services after their implementation;
- The assessment of service levels before and after the transition to shared services; and
- The reporting of performance information on shared services programs

[Click here for examples of objectives, criteria, findings, recommendations and more](#)

4. Using Energy and Natural Resources Efficiently

Description: With rising energy and natural resources prices, as well as increasing climate change and more frequent droughts, governments have many incentives to use energy and natural resources more efficiently. By saving energy, they can free financial resources that can then be reallocated to priority areas like health care and education. And, by limiting the waste of water and other natural resources, they can better protect populations from resource scarcity and its consequences.

Audit of energy efficiency and of the efficient use of natural resources tend to focus on:

- Whether there are adequate strategies, policies and plans in place to provide clear directions to entities on how to achieve energy efficiencies or reduce natural resources use/waste.
- Whether entities have been successful in achieving energy efficiencies or minimizing the use/waste of natural resources;
- The management of energy efficiency programs or resource conservation initiatives;
- The measurement of energy efficiency or natural resource use to provide baseline and performance information; and
- The reporting of entity performance in improving energy efficiency or reducing the use/waste of natural resources.

[Click here for examples of objectives, criteria, findings, recommendations and more](#)

5. Regulating Efficiency

Description: In many jurisdictions, the entities responsible for delivering certain public services (delivered by either the public or the private sector) are distinct from the entities responsible for regulating these services. In some cases, the responsibilities of the Regulator include ensuring that public services are delivered efficiently. This regulatory function, like any other, can be audited. However, few audits of this type have been completed in the last five years.

Audits of the regulation of efficiency can focus on:

- Whether there are strong incentives on the regulated entities to improve their efficiency;
- Whether the Regulator has access to sufficient information (including unit costs) to be able to assess the efficiency of regulated entities;
- Comparisons of regulated entities against similar entities in the private sector or in other jurisdictions; and
- The reporting, by Regulators, of performance information on the regulated entities.

[Click here for examples of objectives, criteria, findings, recommendations and more](#)

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APPENDIX 1

MAIN AUDIT AREAS SUMMARIES

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EFFICIENCY SAVINGS PROGRAMS

Relevant audits

#	Audit Office	Report Title (click on title to access summary)	Publication date
1	NAO	Progress in Making NHS Efficiency Savings	December 2012
3	NAO	The BBC's Efficiency Programme	November 2011
13	Audit Scotland	Improving Public Sector Efficiency	February 2010
15	NIAO	Review of the Efficiency Delivery Programme	December 2012

Example of audit objectives

- To assess the progress made in making efficiency savings in 2011-12 and to determine whether the NHS is well placed to make the required efficiency savings in future years. [\(#1\)](#)
- To assess whether public bodies have the building blocks in place to identify, measure, manage and report efficiency savings under the Efficient Government Programme. [\(#13\)](#)
- To assess the extent to which the 2008-11 Efficiency Programme delivered efficiency savings. [\(#15\)](#)
- To assess the BBC's approach to delivering its efficiency programme against the principles of effective structured cost reduction. [\(#3\)](#)

Example of audit criteria

- The NHS delivered the forecast efficiency savings for 2011-12, while maintaining the quality of, and access to, healthcare. [\(#1\)](#)
- The programme to deliver efficiency savings is being implemented effectively. [\(#1\)](#)
- The NHS is well placed to make the required efficiency savings over the three years, 2012-13 to 2014-15. [\(#1\)](#)

Example of evidence gathering and analysis techniques

- Examination of a sample of 42 efficiency projects. [\(#15\)](#)
- Examination of savings data reported by the NHS and the Department of Health. [\(#1\)](#)

- Review and analysis of trends in the delivery of savings by NHS trusts and NHS foundation trusts, including their performance in delivering cost improvement programmes. [\(#1\)](#)
- Data analysis to identify trends across a range of indicators relating to the quality of, and access to, healthcare. Used data on NHS activity, waiting times, healthcare associated infection rates and patient experience. [\(#1\)](#)
- Conducting web-based surveys of all primary care trust clusters and NHS providers. [\(#1\)](#)
- Assessment of the approach of the BBC's external auditor to testing the financial savings from the programme. Interview of the external audit team and review of the approach they had taken as set out in the terms of reference for the engagement. Review of the external audit reports to management on the programme and other programme documentation to assess whether issues were being raised and responded to. [\(#3\)](#)
- Analysis of over 50 performance measures monitored by the BBC over the course of the programme to date. Comparison of the BBC's performance measures to the programme's baseline year, 2007-08, to identify instances where performance had fallen by more than 5 per cent; checking whether the BBC had provided explanations. [\(#3\)](#)
- Analysed the reported and forecast financial data over the course of the programme. Compared overall progress to date and each area's progress against their targets, and forecasted savings and risk against the targets. . [\(#3\)](#)
- Tracking a sample of performance measures back to the underlying data to determine whether they were being presented accurately. [\(#3\)](#)
- Analysis of the reported and forecast financial data over the course of the programme. Comparison of overall progress to date and each area's progress against their targets, and forecast savings and risk against the targets. [\(#3\)](#)

Example of findings

- For around two thirds of the projects examined, NIAO can offer no assurance that genuine efficiency savings have been achieved. This reflects a lack of understanding by departments of what represents an efficiency saving, and a lack of sufficient financial and performance information. [\(#15\)](#)
- Around a third of the projects reviewed did not have the basic financial and performance information necessary for auditors to make an informed judgement on the achievement of efficiency savings. [\(#15\)](#)

- Departments, on the whole, measured only inputs, in cash terms, but there was little focus on the measurement of outputs, quality, and the extent to which frontline services were protected. Efficiencies cannot be validated unless departments collate all the necessary information. [\(#15\)](#)
- Departments did not always net off the upfront investment costs or the additional recurrent costs necessary to deliver an efficiency. [\(#15\)](#)
- There was a number of examples where departments had increased charges as a means of raising income. These are not genuine efficiencies, but transfer the cost onto service users. [\(#15\)](#)
- Departments failed to challenge or validate efficiencies where the implementation lay with Arms-Length Bodies (ALBs), imposed percentage reductions without a clear analysis of baseline positions and failed to ensure frontline services were not affected. [\(#15\)](#)
- The BBC is delivering value for money from its efficiency programme in that it is on track to exceed its target of delivering £487 million sustainable, cash releasing net savings by 2012-13, whilst its overall performance in terms of audience measures has not declined. The efficiency programme is therefore proving a clear success in the terms set for it. It is, however, hard to say whether the target set was sufficiently stretching and the BBC cannot say whether all the savings represent genuine efficiencies. [\(#3\)](#)
- The NHS has made a good start and clearly delivered substantial efficiency savings in 2011-12. These savings will need to be maintained and built on if up to £20 billion is to be generated by 2014-15. For the NHS to be financially sustainable and achieve value for money in the future, it will need to quicken the pace of service transformation and make significant changes to the way health services are provided. [\(#1\)](#)
- We estimate that up to £520 million of the reported savings for 2011-12 were non-recurrent (one-off in nature), meaning the NHS will have to find replacement savings in future years. [\(#1\)](#)
- In seeking efficiencies, some public bodies – around a fifth of councils and a third of NHS bodies – have relied on non-recurring savings such as asset sales. It is reasonable to take advantage of opportunities like this as part of longer-term service planning and restructuring, but relying on one-off savings in the short term is not a sustainable option for the future. [\(#13\)](#)
- The public sector has reported £839 million of efficiency savings in the first year of the Efficient Government Programme. This is 57 per cent higher than

the £534 million target. Of the reported savings, £254 million (30 per cent) have been delivered through better purchasing, better asset management and shared services, but there is still scope to increase savings. [\(#13\)](#)

- Although public bodies have overall cost information, they still do not have sufficient information on unit costs and costs related to activity and quality of services. This information is needed to demonstrate improvements in efficiency and productivity and to provide assurance that the savings reported through the Programme are being delivered. [\(#13\)](#)
- Planning for two per cent efficiency savings each year will not be sufficient to bridge the gap between projected future spending and future funding. [\(#13\)](#)
- Public reporting of efficiencies was not transparent, comprehensive or meaningful. [\(#15\)](#)

Example of recommendations

- The Department should provide better guidance to the NHS on how to measure and report efficiency savings, so that the total savings reported are more strongly supported by robust data. [\(#1\)](#)
- Departments should do more work to improve information systems, particularly to identify the unit cost of activities and to quantify current performance. [\(#15\)](#)
- Departments should establish measures of inputs, outputs and quality of service for all savings programmes; ensure that a robust baseline is established; and that all these measures are monitored and reported on comprehensively, on an annual basis. [\(#15\)](#)
- In measuring and reporting future savings, all up-front investment and recurrent costs should be counted and netted off the reported figure. [\(#15\)](#)
- Departments should provide a strong challenge function to their Arms-Length Bodies in relation to the planning and delivery of future efficiency measures, including the need to ensure that quality of service is maintained. [\(#15\)](#)

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EFFICIENCY OF PUBLIC SERVICES

Relevant Audits

#	Audit Office	Report Title (click on title to access summary)	Publication date
5	NAO	The Efficiency of National Insurance Administration	June 2010
7	NAO	The Efficiency of Radio Production at the BBC	February 2009
8	NAO	Recruiting Civil Servants Efficiently	February 2009
9	NAO	Making Grants Efficiently in the Culture, Media and Sport Sector	May 2008
10	Audit Scotland	Cardiology Services	February 2012
12	Audit Scotland	Review of Orthopaedic Services	March 2010
18	New South Wales	Efficiency of the Office of the Director of Public Prosecutions	March 2008
19	OAG-Canada	Economy and Efficiency of Services – Correctional Service Canada	December 2008
20	OAG-Ontario	Criminal Prosecutions	December 2012
21	OAG-Ontario	Hospital Emergency Departments	December 2010

Example of audit objectives

- To assess whether the BBC has effective procedures for delivering efficiency in radio production. ([#7](#))
- To assess whether there are unnecessary delays in recruiting staff. ([#8](#))
- To assess whether there is scope for grant-makers in the culture, media and sport sector to improve the cost-efficiency of their grant-making processes. ([#9](#))

- To assess whether there is scope to improve the efficiency of cardiology services by comparing activity across Scotland and identifying areas of good practice where efficiencies have been made. [\(#10\)](#)
- To determine whether the ODPP can demonstrate how efficient it is and whether it has adopted good management practices. [\(#18\)](#)
- To determine whether the Agency can demonstrate that its security and institutional services are managed, designed, and provided with sufficient attention to their efficient delivery. [\(#19\)](#)
- To assess whether the Division had established adequate policies, systems and procedures for the timely and efficient prosecution of criminal matters on behalf of the Crown. [\(#20\)](#)
- To assess whether selected emergency departments had adequate systems and procedures in place to ensure that services were managed and coordinated efficiently to meet patients' needs. [\(#21\)](#)

Example of audit criteria

- We expected Correctional Service Canada's senior management to have the assurance that services are designed and provided in a manner that demonstrates sufficient attention to efficient delivery. [\(#19\)](#)
- We expected Correctional Service Canada to have demonstrated sufficient attention to efficiency in the management of its human resources by developing and deploying a standard for allocating the minimum number of correctional officers to provide a safe and secure environment for its inmates and employees in its institutions. [\(#19\)](#)
- For line of inquiry one, the audit assessed the extent to which the ODPP could demonstrate that:
 - it has an adequate set of efficiency indicators
 - it has valid and reliable information on its services, costs and efficiency
 - its efficiency is high and improving
 - it reports clearly its efficiency to the government and Parliament. [\(#18\)](#)
- For line of inquiry two, we assessed the extent to which the ODPP could demonstrate that:
 - its information systems support efficient management
 - its management arrangements and work practices support efficient operations
 - it systematically identifies and takes action to address efficiency constraints. [\(#18\)](#)

Example of evidence gathering and analysis techniques

- Analysis of costs and methods of calculating and reporting costs for National Insurance, by Directorate, processes and units of activity. [\(#5\)](#)
- Commissioned private consultants to carry out an in-depth review of four key activities in the Contributions Office. [\(#5\)](#)
- Conducted interviews with frontline staff in operational units. [\(#5\)](#)
- Analysed the costs of grant-making for the eight grant programmes in 2006-07 by estimating the average administrative costs. [\(#9\)](#)
- Surveyed a random sample of 50 successful and 50 unsuccessful grant applicants. [\(#9\)](#)
- Commissioned Chest Heart and Stroke Scotland and British Heart Foundation to carry out focus groups with patients who had been in contact with cardiology services in the last two years. [\(#10\)](#)

Example of findings

- HMRC has taken significant steps to improve the efficiency of National Insurance administration but it needs to demonstrate more clearly that it is achieving value for money from the £343 million spent on this work. [\(#5\)](#)
- The highlights of the change achieved include the significant reduction in the number of staff deployed, action taken to require employers to communicate with HMRC electronically and examples of increased staff productivity in the Contributions Office. These are significant achievements, not least as there have been no significant system failures during the period of change. [\(#5\)](#)
- The BBC has explored its data on the costs of radio production for some programme types but has not made full use of its data to identify the scope for potential efficiency savings across its Network and Nations stations. [\(#7\)](#)
- Without evaluating the effect of proposed savings initiatives using its performance measurement framework the BBC will not be able to demonstrate it is delivering efficiency gains. [\(#7\)](#)
- The analysis of how the six organisations recruit identified three common issues: staff costs are too high; the length of time taken to recruit is too long; and the quality of recruitment needs to be improved. [\(#8\)](#)
- The audit identified potential improvements at HM Revenue & Customs and the Ministry of Justice that, if implemented, could reduce the internal staff

costs by up to 68 per cent for the recruitment of junior grades while maintaining the quality of the candidates appointed. [\(#8\)](#)

- The grant-makers held little information by which to judge the efficiency of their grant-making. They had not routinely undertaken an analysis of the costs of their processes and the Department and the grant-makers had not agreed on common indicators to assess and compare costs or efficiency. [\(#9\)](#)
- The cost variations among programmes which had similar features suggest there is more grant-makers could do to understand the differences and identify the relative efficiency of their processes. [\(#9\)](#)
- For some programmes, more work was needed by the grant-maker to understand where costs fell and to evaluate whether the costs of grant making were proportionate to the outcomes delivered. [\(#9\)](#)
- There is scope to make efficiency savings of at least £4.4 million in a number of areas such as using less expensive tests, reducing length of stay, increasing day case rates and making savings in prescribing and procurement. [\(#10\)](#)
- There is variation across Scotland in the efficiency of orthopaedic services which is not fully explained by the resources available or by the types of procedures carried out. There is scope to use existing resources more efficiently and improve how these services are managed. Efficiency savings can be made by moving more inpatient care to day surgery or outpatients and by reducing length of stay in hospital. [\(#12\)](#)
- The efficiency indicators the ODPP has been using are not yet sufficiently relevant and appropriate. It does not have service or efficiency targets, and does not adequately compare its performance over time or to others. [\(#18\)](#)
- The ODPP does not have adequate information on the costs of its services and how staff use their time. This is a significant barrier to good management and efficiency improvement. [\(#18\)](#)
- The ODPP could not show that it had the right number of prosecutors at the right level to minimise costs while delivering quality services. It was not able to provide an objective, documented rationale for the current number and mix. [\(#18\)](#)
- Correctional Service Canada does not manage its purchasing of food, clothing, and cleaning products in a way to obtain best value at the lowest available cost. Its purchasing processes are behind those of other industries that purchase similar goods in similar volumes. [\(#19\)](#)

- None of the performance information currently tracked looks at economy or efficiency of operations. Further, the requirement to manage economically and efficiently is not included in senior management performance agreements, so there is little incentive for them to do so. [\(#19\)](#)
- The number of Crown attorneys and the overall staffing costs for the Criminal Law Division (Division) have more than doubled since our last audit in 1993. Yet the number of criminal charges that Crown attorneys dispose of per year has not substantially changed. [\(#20\)](#)
- The Division makes little use of numerical and statistical information to analyze the relative workload, efficiency and effectiveness of its Crown attorneys, and relies more on informal oversight by senior staff at each of the 54 Crown attorney offices. [\(#20\)](#)
- At the time of the audit, emergency-department wait times had not yet shown a significant improvement and did not meet provincial targets. [\(#21\)](#)
- Over three-quarters of the hospitals that responded to our survey indicated that limited hours and types of specialists and diagnostic services available on-site were key barriers to efficient patient flow. [\(#21\)](#)

Example of recommendations

- HMRC should set guidelines to the operating units on increasing efficiency over the next three years. The guidelines should specify the areas of investment that should have priority; which underlying problems should have greater attention; and where operating units should endeavour to work more closely. [\(#5\)](#)
- Although there are presently very limited funds available for major IT enhancements, HMRC should consider how individual administrative procedures might undergo a more fundamental change over the longer term to achieve optimum efficiency. It should also consider the opportunities for further reducing the use of more costly paper-based processes. [\(#5\)](#)
- The BBC should:
 - compare the costs of comparable programmes to highlight areas where there may be scope for further efficiency savings.
 - identify the reasons for cost variations between programmes, establish whether variations are due to differences in efficiency and assess the scope for further efficiencies.

- assess and document the likely and actual overall impact of efficiency savings initiatives on each of its public value criteria (reach, quality, impact, and value for money). [\(#7\)](#)
- Organisations should match the appropriate amount of recruitment resource to the particular vacancy and reduce the total number of staff involved. Where possible and appropriate they should consider using telephone interviews and the recruitment teams to assess candidates. They should use early assessment procedures to remove unsuitable candidates and reduce the effort of processing their applications. [\(#8\)](#)
- In order to understand their cost of making grants and so identify where they can make efficiency savings, grant-makers should collect information on the costs of grant-making on a consistent basis. [\(#9\)](#)
- Grant-makers should identify the scope to increase the efficiency of grant-making by comparing their grant programmes, or elements of them such as the application process, both internally and against similar programmes in other organisations. [\(#9\)](#)
- Grant-makers should review whether the costs of making grants are proportionate to the size of grants awarded. [\(#9\)](#)
- The Scottish Government and NHS boards should:
 - develop better information on costs, quality and activity to plan and deliver efficient services to a high quality;
 - ensure that benchmarking information on cost and activity is collected to allow NHS boards to compare efficiency. [\(#12\)](#)
- NHS boards should review performance against quality indicators to ensure patient care is not adversely affected by service changes. [\(#12\)](#)
- The ODPP should collect accurate and comprehensive information about the costs of its services and activities and use this to assess its efficiency and cost effectiveness. [\(#18\)](#)
- Correctional Service Canada should conduct sufficient analysis to determine that its deployment of correctional officers results in the most economic and efficient result. [\(#19\)](#)
- To ensure that emergency departments are operating in the most effective way to provide high-quality emergency care as quickly as possible to all patients:
 - hospitals should identify causes of delays in patient flow and examine ways of reducing wait times in emergency departments accordingly;

- the Ministry should provide funding to hospitals in a timely manner to enable hospitals to have adequate time to implement the funded initiatives cost-effectively. ([#21](#))

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EFFICIENCY OF SHARED SERVICES PROGRAMS

Relevant Audits

#	Audit Office	Report Title (click on title to access summary)	Publication date
2	NAO	Efficiency and Reform in Government Corporate Functions Through Shared Service Centres	March 2012

Example of audit objectives

- To determine whether shared services have delivered value for money for central government. [\(#2\)](#)

Example of audit criteria

- Not available

Example of evidence gathering and analysis techniques

- A focus group was used to inform the development of an analytical framework and to understand the critical success factors for shared services. [\(#2\)](#)
- Application of an analytical framework (see Appendix Two of ref. #2 for details) to Shared Service Centres. For each service, this was based on:
 - interviews with a range of senior and operational staff, including key contractors and other external stakeholders;
 - document review covering a range of policy, strategy and operational documents; and
 - financial and quantitative analysis. [\(#2\)](#)
- Review of private sector literature and research. [\(#2\)](#)

Example of findings

- Departments have invested significant cost and effort in implementing shared services, but have not realised the planned benefits. [\(#2\)](#)
- Most customers of shared service centres have not driven benefits. [\(#2\)](#)
- The services provided are overly customized. [\(#2\)](#)
- The software systems used in the Centres have added complexity and cost. [\(#2\)](#)

- The Cabinet Office and Civil Service Steering Board could have done more to ensure shared services were implemented appropriately. [\(#2\)](#)
- Departments have struggled to fully roll-out shared services across all their business units and arm's-length bodies. [\(#2\)](#)

Example of recommendations

- Costs and benefits will need to be measured in both shared service centres and customers and the Cabinet Office should use these to establish a clear baseline and incentivise continuous improvement. Performance information should be used to inform current and future strategy. [\(#2\)](#)
- The Cabinet Office should publish its measurement system and establish at an early stage benchmarks that can be used to assess the success of its strategy. These benchmarks should cover the performance of both customers and providers. [\(#2\)](#)
- Customers should implement a professional management function to ensure shared services comply with service level agreements and reduce costs, by for example, standardising services, managing demand and improving service delivery. [\(#2\)](#)
- Centres need to investigate ways of becoming more efficient in delivering their service to customers. They should explore all opportunities to reduce costs including accommodation, staffing, process and technology. [\(#2\)](#)

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Using Energy and Natural Resources Efficiently

Relevant audits

#	Audit Office	Report Title (click on title to access summary)	Publication date
6	NAO	Reducing the Impact of Business Waste Through the Business Resource Efficiency and Waste Program	March 2010
11	Audit Scotland	Improving Energy Efficiency – A Follow-up Report	December 2010
14	Audit Scotland	Improving Energy Efficiency	December 2008
16	VAGO	Energy Efficiency in the Health Sector	September 2012
17	VAGO	Irrigation Efficiency Programs	June 2010

Example of audit objectives

- To assess whether the Department has been effective in improving energy efficiency in health services. ([#16](#))
- To assess whether the Department is implementing energy efficiency initiatives and meeting energy efficiency targets. ([#16](#))
- To determine how effectively, efficiently and economically irrigation-related programs have been planned and managed to achieve intended outcomes. ([#17](#))

Example of audit criteria

- Not available.

Example of evidence gathering and analysis techniques

- Consultants undertook a telephone survey of 328 businesses across England to supplement the findings of the main body of the evaluation, and to ensure that the business perspective was reflected in the final analysis. ([#6](#))
- Analysed a variety of data on the tonnages of waste produced and the amount sent to landfill. We also estimated the possible monetary value of the Programme outcomes reported by bodies the Department funded. ([#6](#))
- A survey on energy efficiency was issued to councils, National Health Services (NHS) bodies and central government bodies. ([#14](#))

- A survey on energy efficiency was issued to 96 public bodies. [\(#11\)](#)
- Group interviews were held with energy managers from councils and NHS boards. [\(#11\)](#)

Example of findings

- Victorian Government decisions to invest around \$2 billion in irrigation efficiency and related projects between 2004 and 2007 were poorly informed. Whether these projects represent the best solution to achieve the government's policy objectives of saving water and securing Victoria's water, remains unclear. [\(#17\)](#)
- The Department of Health's (DH) approach to statewide planning for energy efficiency is inadequate. It does not have a documented policy or plan and lacks a strategic focus and a coordinated approach. It also does not align with health services' local planning. [\(#16\)](#)
- While there have been improvements in energy efficiency across the health system over the past seven years, the lack of an adequate planning approach has potentially limited the gains that could have been made. Specifically, DH's planning approach limits its ability to demonstrate whether it is appropriately allocating resources to areas of greatest need or highest risk, and whether it is sufficiently prepared for emerging challenges. [\(#16\)](#)
- Energy consumption in public buildings has fallen by 4.8 per cent in the three years to 2006/07 but spending on energy has increased by 46.7 per cent during this period due to significant rises in energy prices. [\(#14\)](#)
- Between 2006/07 and 2008/09, there was little change in the public sector's energy use, but its spending on energy increased by 21 per cent. In a time of increasing financial pressures for the public sector and predicted future rises in energy prices, reducing energy use is of key importance. [\(#11\)](#)
- The public sector as a whole is not yet reducing emissions at sufficient pace to set a good example or influence others, and future budget reductions may affect the level of investment available to achieve further improvement. [\(#11\)](#)
- There is a need for stronger leadership by the Scottish Government and within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made. [\(#14\)](#)
- The Scottish Government does not formally monitor and report progress by public bodies in improving energy efficiency. This makes it difficult to

determine the extent to which the public sector is contributing to the achievement of national targets to reduce emissions. [\(#14\)](#)

Example of recommendations

- The Department of Health, in consultation with health services, should improve the measures it uses to assess health service energy efficiency performance. [\(#16\)](#)
- The Department of Health should adopt a more focused and strategic approach to planning for energy efficiency in the health sector to:
 - support consistent planning at a health service level
 - align with statewide goals for health services. [\(#16\)](#)
- The Government should demonstrate leadership by providing clear guidance for all public bodies on the actions that are required to improve energy efficiency and reduce CO2 emissions. [\(#14\)](#)
- The public sector should ensure that effective strategies are in place to improve energy efficiency and reduce CO2 emissions throughout all areas of public sector activity. These strategies should be supported by comprehensive plans detailing the actions to be taken to achieve agreed objectives and time-related targets. [\(#14\)](#)
- The public sector should collect accurate and consistent data on energy consumption within all sites which they own or lease and in their transport use. Public bodies in multiple occupancy buildings need to work with landlords and other occupiers to establish procedures for identifying local consumption data. [\(#14\)](#)
- The public sector should ensure that energy efficiency is considered in the procurement of goods and services and in the planning and design of major capital projects. [\(#14\)](#)
- The public bodies should build energy efficiency considerations into asset management and estate rationalisation decisions, involving energy officers or teams wherever possible. [\(#11\)](#)
- The public bodies should ensure they have systems in place to collect accurate data on transport use and resulting CO2 emissions. [\(#11\)](#)

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REGULATING EFFICIENCY

Relevant Audits

#	Audit Office	Report Title (click on title to access summary)	Publication date
4	NAO	Regulating Network Rail's Efficiency	April 2011

Example of audit objectives

- To determine whether there are strong incentives on the regulated company to achieve efficient and sustainable levels of cost. [\(#4\)](#)
- To determine whether there is robust information for the Regulator to judge what level of cost is efficient and sustainable, and how the regulated company's performance compares with that efficient cost. [\(#4\)](#)

Example of audit criteria

- Not available.

Example of evidence gathering and analysis techniques

- Quantitative analysis of Network Rail's costs and efficiency – Analysis of the Regulator's data on Network Rail's costs and efficiency. [\(#4\)](#)
- Quantitative and qualitative review of the Regulator's benchmarks – Review of the data and assumptions the Regulator used to benchmark Network Rail against international comparators. [\(#4\)](#)
- Stakeholder consultation – Collected views from over 20 organisations involved in the rail industry. [\(#4\)](#)
- Interviews with other regulators – Interviewed economic regulators of other sectors. [\(#4\)](#)

Example of findings

- The Regulator has contributed to improving Network Rail's efficiency, but reports that a substantial efficiency gap remains. [\(#4\)](#)
- Incentives for Network Rail to find efficiency savings are weaker than those facing other regulated companies. [\(#4\)](#)
- The Regulator has performed innovative benchmarking analysis but there are gaps in its information on Network Rail's own unit costs. [\(#4\)](#)

- The Regulator has identified an efficiency gap but this is not yet fully explained. [\(#4\)](#)

Example of recommendations

- The Regulator should require Network Rail to improve the quality, coverage and geographic breakdown of its unit cost and work volume information to the point where it can be a more valuable component of both Network Rail's own plans and internal benchmarking, and the Regulator's efficiency judgments in the next Periodic Review. [\(#4\)](#)
- The Regulator should work with Network Rail to understand better the reasons for the evident efficiency gap relative to the most efficient European operators, and the opportunities to bridge it. It should also work with other regulators and Infrastructure UK to understand the reasons for the generally high level of UK infrastructure costs, and to address any aspects of regulatory frameworks that may contribute to it. [\(#4\)](#)

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APPENDIX 2

AUDIT SUMMARIES

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Progress in Making NHS Efficiency Savings

Publication Date: December 2012

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/progress-in-making-nhs-efficiency-savings/>

Audited Entities

- National Health Services (NHS)

Audit Scope and Objectives

The audit reviewed whether:

- the NHS delivered the forecast efficiency savings for 2011-12, while maintaining the quality of, and access to, healthcare;
- the programme to deliver efficiency savings is being implemented effectively; and
- the NHS is well placed to make the required efficiency savings over the three years, 2012-13 to 2014-15.

Audit Criteria

- The NHS delivered the forecast efficiency savings for 2011-12, while maintaining the quality of, and access to, healthcare;
- The programme to deliver efficiency savings is being implemented effectively; and
- The NHS is well placed to make the required efficiency savings over the three years, 2012-13 to 2014-15.

Main Audit Findings

- The NHS has made a good start and clearly delivered substantial efficiency savings in 2011-12. These savings will need to be maintained and built on if up to £20 billion is to be generated by 2014-15. For the NHS to be financially sustainable and achieve value for money in the future, it will need to quicken the pace of service transformation and make significant changes to the way health services are provided.
- The Department reported that the NHS made efficiency savings of £5.8 billion in 2011-12, virtually all of that year's forecast total of £5.9 billion. However, there is limited assurance that all the reported savings were achieved. The Department does not validate or gain independent assurance about the data provided.

- Primary care trusts do not measure or report NHS efficiency savings in a consistent way, undermining the quality of the data.
- Up to £520 million of the reported savings for 2011-12 were non-recurrent, meaning the NHS will have to find replacement savings in future years.
- The NHS is making increased use of demand management measures to reduce the growth in hospital activity, but it is not clear whether the slowdown in growth is sustainable. The aim is to control demand without inappropriately restricting patients' access to care, but the Department has no way of routinely gaining assurance that this is being achieved.
- The savings made by NHS providers as a percentage of operating costs are increasing, but it is not clear what level of savings is sustainable over time.
- There is broad consensus that changing how health services are provided is key to a financially sustainable NHS. Evidence indicates that the NHS has taken limited action to date to transform services. There is a variety of support available to help the NHS generate efficiency savings, but there is a lack of evidence on the benefits of service transformation.

Audit Recommendations

- The Department should provide better guidance to the NHS on how to measure and report efficiency savings, so that the total savings reported are more strongly supported by robust data.
- The Department should improve transparency by making clear any caveats to data quality when it reports efficiency savings.
- The Department should take a more active interest in demand management and develop ways of gaining routine assurance that patients' access to healthcare is not being inappropriately restricted.
- The Department and the NHS Commissioning Board should work with the NHS to reduce barriers to transforming services, and evaluate the impact of transformation initiatives, as they are implemented, to generate evidence about what works locally and on a larger scale.
- In developing future mechanisms for paying for healthcare, the Department, Monitor and the NHS Commissioning Board should consider how these mechanisms can be used to drive service transformation and care that is integrated around the patient.
- The Department should develop better ways of monitoring progress on service transformation.

FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Efficiency and Reform in Government Corporate Functions Through Shared Service Centres

Publication Date: March 2012

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/efficiency-and-reform-in-government-corporate-functions-through-shared-service-centres/>

Audited Entities

- Cabinet Office; Civil Service Steering Board; Department for Environment, Food and Rural Affairs; Department for Transport; Department for Work and Pensions; Ministry of Justice; Research Councils UK

Audit Objective(s)

- This report looks at whether shared services have delivered value for money for central government and highlights the challenges which departments and the Cabinet Office have faced.

Audit Scope

- The report analyses how Shared Services Centres have been commissioned, how well government has performed as a customer, and provide a detailed review of five of the eight shared service centres.

Audit Criteria

- An Analytical Framework to assess Centre performance is presented in Appendix 2 of the report.

Main Audit Findings

- Departments have invested significant cost and effort in implementing shared services, but have not realised the planned benefits.
- Most customers of shared service centres have not driven benefits.
- The services provided are overly customised.
- The software systems used in the Centres have added complexity and cost.
- The Cabinet Office and Civil Service Steering Board could have done more to ensure shared services were implemented appropriately.

- Departments have struggled to fully roll-out shared services across all their business units and arm's-length bodies.

Audit Recommendations

- The Cabinet Office should consider all of its options and assess whether a lower risk solution would provide better value for money, for example by extending the overall timescale of the project or by establishing additional procurement frameworks for back-office services. It should also ensure that its projections from the business analysis adequately reflect the identified risks of the project and have sufficient allowance for optimism bias.
- If there is an overall value-for-money case for the taxpayer, the Cabinet Office should seek appropriate authority to mandate the shared services strategy and its implementation. The Cabinet Office should also make sure that there is clear accountability for implementing its new shared services strategy. This should be managed as part of a wider change programme, ensuring sufficient capability exists in the shared service centre and customer.
- Costs and benefits will need to be measured in both shared service centres and customers and the Cabinet Office should use these to establish a clear baseline and incentivise continuous improvement. Performance information should be used to inform current and future strategy.
- The new strategy helpfully includes proposals to develop reliable cost and performance benchmarks. The Cabinet Office should publish its measurement system and establish at an early stage benchmarks that can be used to assess the success of its strategy. These benchmarks should cover the performance of both customers and providers.
- Customers, or those commissioning shared services, must set out clear accountability for managing all costs and benefits associated with shared services (not just those incurred in the shared service centre). They should make sure that these are recorded, independently scrutinised and then benchmarked with appropriate external comparators to assess performance.
- Customers should implement a professional management function to ensure shared services comply with service level agreements and reduce costs, by for example, standardising services, managing demand and improving service delivery.
- Centres need to investigate ways of becoming more efficient in delivering their service to customers. They should explore all opportunities to reduce costs including accommodation, staffing, process and technology.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: The BBC's Efficiency Programme

Publication Date: November 2011

Audit Office: National Audit Office

Link to full report: **http:** <http://www.nao.org.uk/report/the-bbcs-efficiency-programme/>

Audited Entities

- British Broadcasting Corporation (BBC)

Audit Objective(s)

- This report examines the BBC's progress to date in delivering the savings required, and assesses the BBC's approach to delivering the programme against the principles of effective structured cost reduction.

Audit Scope

- The report does not examine in detail the individual initiatives through which the BBC is delivering savings. Instead the team audited the processes put in place by the BBC to manage the programme and validate and challenge the savings delivered.

Audit Criteria

- Not available.

Main Audit Findings

- The BBC is delivering value for money from its efficiency programme in that it is on track to exceed its target of delivering £487 million sustainable, cash releasing net savings by 2012-13, whilst its overall performance in terms of audience measures has not declined. The efficiency programme is therefore proving a clear success in the terms set for it.
- It is, however, hard to say whether the target set was sufficiently stretching and the BBC cannot say whether all the savings represent genuine efficiencies. To manage within its 2010 licence fee settlement the BBC must build on the successful elements of its efficiency programme by strengthening its approach to targeting savings and creating a culture of challenging cost on a continuing basis.
- Although the BBC is on track to achieve its overall target for the programme, the performance of individual areas of the BBC in meeting their targets

varies. As at April 2011, nine of twelve areas were ahead of schedule, with North, Future Media & Technology and Workplace behind. The BBC's Internal Audit Department conducted a review of how areas were managing the programme that highlighted a lack of senior management control and insufficient embedding of risk management in two of the three that are currently behind target (Future Media & Technology and Workplace). By contrast BBC Vision, which had implemented strong governance arrangements, is ahead of schedule.

Audit Recommendations

- The BBC should continue to explore opportunities to challenge its perceptions about what its activities should cost to deliver, and use the resulting insights to identify and deliver cost savings.
- The BBC should prioritise these savings mandated by its new license fee settlement) by using a detailed analysis of the value its activities contribute to its objectives.
- The BBC should review its approach to accounting for external factors when measuring its performance and one way the BBC could adapt its performance management framework is to give more focus to areas where it has greater influence over the outcomes.
- The BBC should:
 - evaluate the approaches taken by different areas to identify which have proved most effective; and
 - use this evaluation to develop a consistent approach to identifying, prioritising, monitoring and evaluating initiatives to improve the efficiency of its activities.
- In seeking to improve the efficiency of its operations in future, the BBC should challenge activities, as well as discrete areas of the organisation. One way of promoting this approach is to make named individuals responsible for activities that cross areas.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Regulating Network Rail's Efficiency

Year: April 2011

Audit Office: National Audit Office

Link to full report: <http://www.nao.org.uk/report/regulating-network-rails-efficiency/>

Audited Entities

- Office of Rail Regulation

Audit Objective(s)

- The report is focused on the Office of Rail Regulation 's effectiveness against two key requirements: 1) there must be strong incentives on the regulated company to achieve efficient and sustainable levels of cost; and 2) there must be robust information for the Regulator to judge what level of cost is efficient and sustainable, and how the regulated company's performance compares with that efficient cost.

Audit Scope

- The report reviews: Network Rail's efficiency outcomes as reported by the Office of Rail Regulation; the use of regulatory tools, including incentives to promote efficiency; and information collected and used by the Office of Rail Regulation to measure and promote efficiency.

Audit Criteria

- Not available.

Main Audit Findings

- The Regulator has contributed to improving Network Rail's efficiency, but reports that a substantial efficiency gap remains.
- Incentives for Network Rail to find efficiency savings are weaker than those facing other regulated companies.
- The Regulator has performed innovative benchmarking analysis but there are gaps in its information on Network Rail's own unit costs.
- The Regulator has identified an efficiency gap but this is not yet fully explained.

Audit Recommendations

- The Regulator should:
 - require Network Rail to improve the quality, coverage and geographic breakdown of its unit cost and work volume information to the point where it can be a more valuable component of both Network Rail's own plans and internal benchmarking, and the Regulator's efficiency judgments in the next Periodic Review;
 - work with Network Rail to improve its confidence in the breakdown of reported cost reductions between unit cost efficiencies, scope efficiencies and deferrals, and satisfy itself that the latter do not compromise short- or long-term delivery of required outputs; and
 - adjust for levels of input price inflation different to those assumed in settlements, when reporting efficiency savings made by Network Rail.
- The Regulator should work with Network Rail to understand better the reasons for the evident efficiency gap relative to the most efficient European operators, and the opportunities to bridge it. It should also work with other regulators and Infrastructure UK to understand the reasons for the generally high level of UK infrastructure costs, and to address any aspects of regulatory frameworks that may contribute to it.
- The Regulator should amend Network Rail's licence conditions to require it to have regard to the Regulator's assessment of performance when setting management bonuses, as well as (as currently) stating how it has reflected that assessment in its decisions. The Regulator should also ensure that measures of efficiency used within the management incentive plan align well with its own measures of progress towards improved efficiency.
- Whatever new structures or realignment of incentives emerge from the Rail Value For Money Study, the Regulator should ensure that progress made in improving understanding of Network Rail's costs and reporting efficiency gains is protected and built upon within the regulatory regime.
- If direct agreements between Network Rail and funders for infrastructure provision are necessary, the Regulator should nevertheless have the opportunity to engage with their development, to satisfy itself that they represent efficient cost and do not expose tax- and fare payers to excessive risk.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: The Efficiency of National Insurance Administration

Year: June 2010

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/hmrc-the-efficiency-of-national-insurance-administration/>

Audited Entities

- HM Revenue and Customs (HMRC)

Audit Objective(s)

- This report looks at how HM Revenue and Customs has administered its National Insurance (entitlement to certain retirement and working-age welfare benefits) responsibilities.

Audit Scope

- The report is focused on efficiency in the use of resources since 2006-07. It looks in detail at the Contributions Office and considers the roles of other units administering National Insurance: the customer contact helplines handling National Insurance enquiries; and the Debt Management & Banking and Local Compliance directorates.

Audit Criteria

- Not available.

Main Audit Findings

- HMRC has taken significant steps to improve the efficiency of National Insurance administration but it needs to demonstrate more clearly that it is achieving value for money from the £343 million spent on this work.
- The highlights of the change achieved include the significant reduction in the number of staff deployed, action taken to require employers to communicate with HMRC electronically and examples of increased staff productivity in the Contributions Office. These are significant achievements, not least as there have been no significant system failures during the period of change.
- However, HMRC is achieving some but not all of its operational targets, a number of long-standing data accuracy issues persist and it has achieved limited progress in implementing efficiency initiatives involving more than

one operating unit. Better information on the impact of operational changes and on how units interact with each other would allow HMRC to secure further efficiency savings.

Audit Recommendations

- To help maximise efficiency in National Insurance administration HMRC should develop its approach in two ways. It should give priority to applying PaceSetter principles to whole processes, encouraging operating units to work together to secure efficiencies. HMRC should also give renewed effort to maximising the value from resources applied to corrective work, either by dealing with root causes or applying priorities for securing the accuracy of the National Insurance database most cost-effectively.
- To inform decisions on future design of activities, especially the mix between staff and IT support, HMRC should at regular intervals, and not less than annually, determine the full costs incurred on individual activities, within the Contributions Office and across other operating units.
- Where the mix of work varies significantly from year to year for individual activities, HMRC should consider adopting a system of unitisation, which grades the complexity of work into standard units of processing time, to enable comparisons between years.
- Notwithstanding its strategic approach to administering National Insurance, HMRC should set guidelines to the operating units on increasing efficiency over the next three years. The guidelines should specify the areas of investment that should have priority; which underlying problems should have greater attention; and where operating units should endeavour to work more closely.
- Although there are presently very limited funds available for major IT enhancements, HMRC should consider how individual administrative procedures might undergo a more fundamental change over the longer term to achieve optimum efficiency. It should also consider the opportunities for reducing incorrect or incomplete incoming data and for exerting greater control of how work is received, with special attention to further reducing the use of more costly paper-based processes.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Reducing the Impact of Business Waste Through the Business Resource Efficiency and Waste Program

Publication Date: March 2010

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/defra-reducing-the-impact-of-business-waste-through-the-business-resource-efficiency-and-waste-programme/>

Audited Entities

- Department for Environment, Food and Rural Affairs

Audit Objective(s)

- This report examines the impact of the Business Resource Efficiency and Waste Programme in addressing business waste.

Audit Scope

- The report focused on the impact of the Programme and on the management of the Programme by the Department for Environment, Food and Rural Affairs.

Audit Criteria

- Not available.

Main Audit Findings

- The Department's approach to business waste lacks the structure and coordination of its approach to municipal waste.
- The tonnage of business waste sent to landfill has reduced, but the rate of decline of commercial and industrial waste lags behind the rate of decline for other types of waste.
- The Department lacked comprehensive and timely data on business waste to target its initiatives effectively.
- The Department did not establish sufficiently robust arrangements to oversee the performance of those organisations delivering the Programme's initiatives.

- In the absence of sufficient data it is not possible to determine the impact of the Programme on reducing commercial and industrial waste.
- Where businesses have utilised the services available from the Programme they have benefited from the advice and support.
- Some of the initiatives funded through the Programme should generate longer term impacts.
- Awareness of the Programme's services was concentrated in a minority of businesses.

Audit Recommendations

The Department should:

- use the data from its proposed survey of commercial and industrial waste to improve the targeting of future initiatives and direct resources to where they are most needed; and
- identify whether in future it could monitor change more cost-effectively by, for example, identifying a cohort of key organisations to measure change in business waste over time.
- put targets and performance measures in place from the outset in any future funding arrangements;
- set up and validate data collection and collation arrangements, so that useful data are produced on a timely basis;
- use performance data to challenge the funded bodies effectively
- remind its senior officials of the need to balance demands for urgent action adequately against the risk that expenditure may not be managed effectively in these circumstances.
- set clear objectives and targets for reducing the tonnage of waste produced and the tonnage sent to landfill;
- identify opportunities for integration between its business and municipal programmes, including encouraging:
 - shared recycling and treatment infrastructure where this will result in economies of scale; and
 - joint collection and disposal of commercial and industrial waste.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: The Efficiency of Radio Production at the BBC

Year: February 2009

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/the-efficiency-of-radio-production-at-the-bbc-review-by-the-comptroller-auditor-general-presented-to-the-bbc-trusts-finance-and-strategy-committee/>

Audited Entities

- British Broadcasting Corporation (BBC)

Audit Objective(s)

- Assessed whether the BBC has effective procedures for delivering efficiency in radio production.

Audit Scope

The review focused on:

- whether the BBC makes use of cost comparisons to identify the scope for efficiency gains
- the efficiency gains the BBC is planning to deliver and
- whether the BBC assesses the impact of efficiency initiatives on performance.

The report covered the ten Network stations and the six Nations stations. It did not evaluate matters relating to content and target audiences, which are matters of editorial judgement for the BBC.

Audit Criteria

- Not available.

Main Audit Findings

- The BBC has explored its data on the costs of radio production for some programme types but has not made full use of its data to identify the scope for potential efficiency savings across its Network and Nations stations.
- Without evaluating the effect of proposed savings initiatives using its performance measurement framework the BBC will not be able to demonstrate it is delivering efficiency gains.

- While each station has identified efficiency initiatives there is a need for a more systematic sharing of ideas and good practice.
- The BBC does not have arrangements with commercial radio stations for assessing its radio production efficiency relative to them.

Audit Recommendations

The BBC should:

- compare the costs of comparable programmes to highlight areas where there may be scope for further efficiency savings.
- identify the reasons for cost variations between programmes, establish whether variations are due to differences in editorial ambition or efficiency and assess the scope for further efficiencies.
- inform guide price ranges for programme genres by analysis of actual cost data.
- assess and document the likely and actual overall impact of efficiency savings initiatives on each of its public value criteria (reach, quality, impact, and value for money).
- complete the work it is now doing to establish indicators and baselines for measuring performance against each of the public value criteria.
- use the existing Radio Network to identify and spread good practice in radio production efficiency.
- explore with commercial radio stations how they might establish benchmarking arrangements to identify where and how savings can be made.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Recruiting Civil Servants Efficiently

Publication Date: February 2009

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/report/recruiting-civil-servants-efficiently/>

Audited Entities

- HM Revenue & Customs
- Ministry of Justice
- Department for Work and Pensions
- Ministry of Defence
- HM Prison Service
- UK Border Agency

Audit Objective

- Assessing whether there are unnecessary delays in recruiting staff, and whether candidates meet the required standard and have the right fit with the organisation and the working environment.

Audit Scope

- Scope was focused on the efficiency and effectiveness of the recruitment process within the six largest employers in the central government.
- Detailed focus on two departments, where an analysis of current recruitment processes was undertaken and opportunities for improvement were identified.
- At the other four organisations, only an analysis of current recruitment practices was undertaken.

Audit Criteria

Not available.

Main Audit Findings

- All six organisations have undertaken some form of review to improve the efficiency of how they recruit.
- The analysis of how the six organisations recruit identified three common issues: staff costs are too high; the length of time taken to recruit is too long; and the quality of recruitment needs to be improved.

- Organisations do not accurately record the amount of the time spent by staff that are not part of the recruitment team.
- Central government's external recruitment processes do not fully deliver value for money. The audit identified potential improvements at HM Revenue & Customs and the Ministry of Justice that, if implemented, could reduce the internal staff costs by up to 68 per cent for the recruitment of junior grades while maintaining the quality of the candidates appointed.

Audit Recommendations

- By making more use of online application packs and informing applicants upfront that they should assume they have been unsuccessful if they do not receive notification by a certain date, the Department can save an estimated £225,000 a year in resource costs which the Department estimates will reduce the amount of processing time by 5 full time employee years.
- HM Revenue and Customs should implement a standard approach to assessing candidates and could improve the relevance of the recruitment process to the vacancy by testing candidates in the workplace using realistic work scenarios.
- Organisations should collect and use management information to understand the profile of annual demand for recruitment. They should use regional and role-specific demand data to recruit candidates in advance so that they are ready to join the organisation when required. For types of roles that are high volume and a constant requirement, organisations should implement a continuous rolling recruitment campaign.
- Organisations should match the appropriate amount of recruitment resource to the particular vacancy and reduce the total number of staff involved. Where possible and appropriate they should consider using telephone interviews and the recruitment teams to assess candidates. They should use early assessment procedures to remove unsuitable candidates and reduce the effort of processing their applications.
- The Cabinet Office should more actively support recruitment activity across government for levels below the senior civil service, and should systematically share good practice advice across government.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Making Grants Efficiently in the Culture, Media and Sport Sector

Publication Date: May 2008

Audit Office: National Audit Office - UK

Link to full report: <http://www.nao.org.uk/wp-content/uploads/2008/05/0708339.pdf>

Audited Entities

- Arts Council England
- Big Lottery Fund
- English Heritage
- Sport England

Audit Objective(s)

To assess whether there is scope for grant-makers in the culture, media and sport sector to improve the cost-efficiency of their grant-making processes.

Audit Scope

A sample of eight grant programmes that covered a material amount of grant expenditure: a total of £647 million in grant funding, representing over a third of the total £1.8 billion in grant expenditure of the sector in 2006-2007. The programmes also represented a range of different types in terms of the value and volume of grants they distribute and the objectives they set out to meet.

Audit Criteria

Not available.

Main Audit Findings

On measuring the costs of grant-making processes:

- The grant-makers held little information by which to judge the efficiency of their grant-making. They had not routinely undertaken an analysis of the costs of their processes and the Department and the grant-makers had not agreed common indicators to assess and compare costs or efficiency across the sector.
- The cost variations among programmes which had similar features suggest there is more grant-makers could do to understand the differences and identify the relative efficiency of their processes.

- For some programmes, more work was needed by the grant-maker to understand where costs fell and to evaluate whether the costs of grant making were proportionate to the outcomes delivered.

On opportunities to improve the cost-efficiency of grant-making:

- Practice within and outside the sector demonstrates a number of methods grant-makers have employed to enhance their processes and so reduce the costs of grant-making, both to themselves and to applicants. Key areas include managing the demand for grants, mapping and streamlining processes, and sharing systems or facilities.
- There was little evidence that grant-makers had sought to learn from one another by sharing information on the costs and processes of grant-making. There was, however, an established forum for sharing knowledge among the lottery distributors on which the grant-makers could build.

Audit Recommendations

- In order to understand their cost of making grants and so identify where they can make efficiency savings, grant-makers should collect information on the costs of grant-making on a consistent basis.
- The Department should agree with all grant-makers a common framework for reporting administration costs.
- Grant-makers should identify the scope to increase the efficiency of grant-making by comparing their grant programmes, or elements of them such as the application process, both internally and against similar programmes in other organisations.
- Grant-makers should review whether the costs of making grants are proportionate to the size of grants awarded.
- Grant-makers should explore how they might estimate the costs to grant applicants of preparing applications and providing information for each grant programme they manage.
- The Department should facilitate an initiative across the sector to share information about the administrative costs of grant-making.
- Grant-makers should build on each others' existing work to enhance efficiency by identifying further opportunities to improve their processes.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Cardiology Services

Publication Date: February 2012

Audit Office: Audit Scotland

Link to full report:

http://www.audit-scotland.gov.uk/docs/health/2012/nr_120223_cardiology.pdf

Audited Entities

- National Health Service (NHS)

Audit Objective(s)

- The audit looked at how effectively the NHS in Scotland manages Cardiology services, how much is spent and whether patients across Scotland have the same access to services.
- The audit also assessed whether there is scope to improve the efficiency of Cardiology services by comparing activity across Scotland and identifying areas of good practice where efficiencies have been made.

Audit Scope

- The report focuses on Cardiology services provided in hospitals. In addition to Cardiology activity, the audit looked at all hospital activity for heart disease patients being looked after in other wards. The audit did not look in detail at the work of other services that provide a lot of care for patients with heart disease, such as Cardiac Surgery, General Medicine and the Scottish Ambulance Service, but examined some issues to do with how hospital Cardiology services work with these services.
- The audit also looked at some examples of activity and prevention work that take place in the community, mostly through general practitioners and their teams.

Audit Criteria

- Not available.

Main Audit Findings

- More people in Scotland are surviving heart disease with death rates falling by around 40 per cent over the last decade. Waiting times for the two main Cardiology procedures have also gone down.

- More could be done to ensure all patients get the services they need, including those who may benefit from cardiac rehabilitation, those at risk of stroke, heart failure patients and people who have had a severe heart attack.
- There is scope to make efficiency savings of at least £4.4 million in a number of areas such as using less expensive tests, reducing length of stay, increasing day case rates and making savings in prescribing and procurement. In outpatients, there is scope to improve referral processes, reduce demand and increase the number of available appointments. These efficiency savings are a conservative estimate as we have not been able to calculate savings in a number of areas due to limitations in the data.

Audit Recommendations

- The Scottish Government and NHS boards should:
 - continue to improve the evidence base on the impact and cost effectiveness of measures to help prevent heart disease and use this evidence to identify priorities for spending to help improve outcomes and address inequalities, particularly in deprived areas; and
 - ensure that consistent and accurate activity, workforce, cost and quality information is available and shared nationally to allow NHS boards to monitor their performance, compare services and identify potential improvements in value for money.
- NHS boards should:
 - work with regional planning groups to ensure their strategic plans to develop and monitor services meet patients' needs and address gaps in services;
 - examine variation in Cardiology services, including tests provided for heart disease, length of stay, day case rates, prescribing, procurement and outpatients, to ensure services are being provided in the most efficient way and identify scope for improving efficiency; and
 - use the checklist available on the Audit Scotland website to help improve the efficiency and effectiveness of Cardiology services.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Improving Energy Efficiency – A Follow-up Report

Publication Date: December 2010

Audit Office: Audit Scotland

Link to full report:

http://www.audit-scotland.gov.uk/docs/central/2010/nr_101209_energy_efficiency_followup.pdf

Audited Entities

- Councils
- National Health Service (NHS) boards
- Central government bodies

Audit Objective

- This audit re-evaluated the performance of the public sector in improving its energy efficiency. It followed up the key recommendations from a 2008 report, and looked at how prepared public bodies are for the CRC Energy Efficiency Scheme.

Audit Scope

- The audit looked at the performance of councils, NHS boards and central government bodies, and focused mainly on the improvement of energy efficiency in their buildings. It did not look at domestic energy use.

Audit Criteria

- Not available.

Main Audit Findings

- Between 2006/07 and 2008/09, there was little change in the public sector's energy use, but its spending on energy increased by 21 per cent. In a time of increasing financial pressures for the public sector and predicted future rises in energy prices, reducing energy use is of key importance.
- Scotland has ambitious targets to reduce greenhouse gas emissions and public bodies are adopting a more strategic approach to improving energy efficiency. However, the public sector as a whole is not yet reducing emissions at sufficient pace to set a good example or influence others, and future budget reductions may affect the level of investment available to achieve further improvement. The Scottish Government is taking action to

help the public sector improve energy efficiency, but progress has been slow and the impact of this activity is not yet clear.

- The CRC Energy Efficiency Scheme has raised the profile of energy efficiency, and over half of public bodies are well prepared for involvement in it. Reducing energy use will help public bodies reduce the costs associated with the scheme.

Audit Recommendations

The Scottish Government should:

- ensure efforts and investment for improving energy efficiency are targeted where the greatest reductions in energy use and emissions can be made for the whole public sector;
- take the opportunity when reviewing its Energy Efficiency Action Plan to ensure the actions relevant to the public sector are robust enough to achieve the pace of change required;
- ensure its sustainability reporting framework provides consistent information on energy performance across the public sector; and
- build the CRC Energy Efficiency Scheme into its internal audit arrangements, to provide assurance in addition to the five-yearly external audit by the Scottish Environment Protection Agency (SEPA).

Public bodies should:

- strengthen the contribution they make to reducing emissions and increase the pace of change;
- work with the Scottish Government to implement the actions relevant to the public sector in the Energy Efficiency Action Plan, and report progress to senior management;
- ensure they have systems in place to collect accurate data on transport use and resulting CO2 emissions;
- build energy efficiency considerations into asset management and estate rationalisation decisions, involving energy officers or teams wherever possible; and
- build the CRC Energy Efficiency Scheme into their internal audit arrangements, to provide assurance in addition to the five-yearly external audit by SEPA.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Review of Orthopaedic Services

Publication Date: March 2010

Audit Office: Audit Scotland

Link to full report:

http://www.audit-scotland.gov.uk/docs/health/2010/nr_100325_orthopaedic_services.pdf

Audited Entities

- National Health Service (NHS)

Audit Objectives

- The audit looked at how effectively the NHS in Scotland manages orthopaedic services, how much is spent and whether this represents value for money.
- The audit also assessed whether there is scope to improve the efficiency of orthopaedic services by comparing activity across Scotland and identifying areas of good practice where efficiencies have been made.

Audit Scope

- The report focuses on orthopaedic services provided in hospitals and highlights examples of services being provided in the community, such as orthopaedic clinics led by general practitioners or physiotherapists. The audit did not review the work of other departments that support orthopaedic services, such as diagnostics, rheumatology and anaesthetics.

Audit Criteria

- Not available.

Main Audit Findings

- Waiting times for orthopaedic services have reduced considerably in recent years. This has been achieved by the NHS changing the way it delivers services and through additional activity funded by waiting times money from the SGHD. NHS boards are meeting national waiting times targets, but making further sustainable improvements to achieve the planned 18-week referral to treatment target will be challenging.
- There is variation across Scotland in the efficiency of orthopaedic services which is not fully explained by the resources available or by the types of procedures carried out. There is scope to use existing resources more efficiently and improve how these services are managed. Efficiency savings

can be made by moving more inpatient care to day surgery or outpatients and by reducing length of stay in hospital.

- In 2008/09, £373 million was spent on orthopaedics, a 68 per cent increase in real terms over ten years. The average amount spent on inpatient and day cases and the amount spent per orthopaedic procedure vary significantly across Scotland. Savings can be made by more efficient purchasing of surgical implants.
- It is not possible to draw clear conclusions about productivity in orthopaedic services due to limitations in the data. Productivity indicators suggest that NHS boards which manage their planned and emergency activity separately have higher consultant activity and a lower cost per case.

Audit Recommendations

- The Scottish Government and NHS boards should:
 - develop better information on costs, quality and activity to plan and deliver efficient services to a high quality;
 - ensure that benchmarking information on cost and activity is collected to allow NHS boards to compare efficiency; and
 - improve tariff information to support accurate costing and financial planning for orthopaedic services.
- NHS boards should:
 - monitor levels of day case and outpatient activity and look to deliver care in the most efficient and effective setting;
 - develop a better understanding of productivity, including activity, cost and quality indicators, to deliver efficient services;
 - monitor levels of activity for the whole orthopaedic team and take action where levels are low;
 - review performance against quality indicators to ensure patient care is not adversely affected by service changes;
 - use the Audit Scotland checklist detailed in Appendix 3 ([see full report](#)) to help improve the efficiency and effectiveness of orthopaedic services.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Improving Public Sector Efficiency

Publication Date: February 2010

Audit Office: Audit Scotland

Link to full report: http://www.audit-scotland.gov.uk/docs/central/2010/nr_100225_improving_efficiency.pdf

Audited Entities

- The Scottish Government
- Fieldwork was conducted at a sample of 15 public bodies: five National Health Service bodies, five councils and five central government bodies.

Audit Objective(s)

- To assess whether public bodies have the building blocks in place to identify, measure, manage and report efficiency savings under the Efficient Government Programme.
- To assess the progress made against the recommendations of Audit Scotland's 2006 report on the Efficient Government Initiative.
- The study also looked at the savings reported in the first year of the Efficient Government Programme (2008/09).

Audit Scope

- The Efficient Government Programme
- Fieldwork was conducted at a sample of 15 public bodies: five National Health Service bodies, five councils and five central government bodies.

Audit Criteria

- Not available.

Main Audit Findings

- The public sector has reported £839 millions of efficiency savings in the first year of the Efficient Government Programme. This is 57 per cent higher than the £534 million target. Of the reported savings, £254 million (30 per cent) have been delivered through better purchasing, better asset management and shared services, but there is still scope to increase savings from these areas.
- Planning for two per cent efficiency savings each year will not be sufficient to bridge the gap between projected future spending and future funding.

- The scale of the financial challenges facing the Scottish public sector means that a new approach is needed that fundamentally reviews priorities and the delivery of services.
- Although public bodies have overall cost information, they still do not have sufficient information on unit costs and costs related to activity and quality of services. This information is needed to demonstrate improvements in efficiency and productivity and to provide assurance that the savings reported through the Programme are being delivered.
- In seeking efficiencies, some public bodies – around a fifth of councils and a third of NHS bodies – have relied on non-recurring savings such as asset sales. It is reasonable to take advantage of opportunities like this as part of longer-term service planning and restructuring, but relying on one-off savings in the short term is not a sustainable option for the future.

Audit Recommendations

- The Scottish Government and public bodies should:
 - ensure they have a priority-based approach to budgeting and spending;
 - consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services;
 - improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against;
 - give greater urgency to developing benchmarking programmes;
 - maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services;
 - ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured; and
 - reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer-term strategy.
- The Scottish Government should challenge the use of non-recurring savings reported by public bodies and develop clear guidance on how to measure and report savings from the three priority areas of better purchasing, better asset management and shared services to ensure there is no double counting.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Improving Energy Efficiency

Publication Date: December 2008

Audit Office: Audit Scotland

Link to full report:

http://www.audit-scotland.gov.uk/docs/central/2008/nr_081211_energy_efficiency.pdf

Audited Entities

- National Health Service (NHS) bodies
- Councils
- Central government bodies

Audit Objective(s)

- This report provides an assessment of how the public sector is improving its energy efficiency in relation to buildings and transport use.

Audit Scope

- The study assessed councils, NHS bodies and central government bodies, although the recommendations are transferable to other areas of the public sector (i.e., the higher education sector, police forces and fire services).

Audit Criteria

- Not available.

Main Audit Findings

- Public bodies have allocated over £ .5 millions of their own funds to invest in energy efficiency measures since 2004/05. Energy consumption in public buildings has fallen by 4.8 per cent in the three years to 2006/07 but spending on energy has increased by 46.7 per cent during this period due to significant rises in energy prices.
- Efforts to improve energy efficiency have been greatest in those sectors that spend the most on energy (councils and the NHS) and this is reflected in their performance.
- There is a need for stronger leadership by the Scottish Government and within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made. This is a challenge and more work is needed to achieve this.

- A robust strategy is central to the coordination of activities to improve energy efficiency, however, there are inconsistencies in the quality of strategies being implemented.
- The Scottish Government does not formally monitor and report progress by public bodies in improving energy efficiency. This makes it difficult to determine the extent to which the public sector is contributing to the achievement of national targets to reduce emissions.

Audit Recommendations

The Scottish Government should:

- demonstrate leadership by providing clear guidance for all public bodies on the actions that are required to improve energy efficiency and reduce CO2 emissions;
- establish robust monitoring arrangements to ensure the performance of public bodies in improving energy efficiency can be accurately assessed and reported publicly against national and international targets; and
- work with the public sector to disseminate good practice, coordinate networks to share information and establish appropriate energy efficiency benchmarks.

The public sector should:

- ensure that effective strategies are in place to improve energy efficiency and reduce CO2 emissions throughout all areas of public sector activity. These strategies should be supported by comprehensive plans detailing the actions to be taken to achieve agreed objectives and time-related targets;
- ensure staff with the necessary skills are made available to support implementation of energy efficiency activities. Formal reporting frameworks should be used to monitor progress against the aims, objectives and targets outlined in energy efficiency strategies;
- collect accurate and consistent data on energy consumption within all sites which they own or lease and in their transport use. Public bodies in multiple occupancy buildings need to work with landlords and other occupiers to establish procedures for identifying local consumption data; and
- ensure that energy efficiency is considered in the procurement of goods and services and in the planning and design of major capital projects.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Review of the Efficiency Delivery Programme

Publication Date: December 2012

Audit Office: Northern Ireland Audit Office

Link to full report: https://www.niauditoffice.gov.uk/sites/niao/files/media-files/efficiency_final.pdf

Audited Entities

- Department of Education
- Department for Employment and Learning
- Department for Regional Development
- Department of Health, Social Services and Public Safety

Audit Objective(s)

- This study examines the extent to which the 2008-11 efficiency programme delivered efficiency savings and the lessons that can be learnt for future efficiency programmes.

Audit Scope

- The review focuses on a sample of 42 efficiency projects - drawn from the four largest spending departments which, between them, accounted for some £1,303 million (81 per cent) of reported savings.

Audit Criteria

- Not available.

Main Audit Findings

On the Measurement of Departmental Efficiency Savings:

- For around two thirds of the projects examined, NIAO can offer no assurance that genuine efficiency savings have been achieved. This reflects a lack of understanding by departments of what represents an efficiency saving, and a lack of sufficient financial and performance information.
- Around a third of the projects reviewed did not have the basic financial and performance information necessary for auditors to make an informed judgement on the achievement of efficiency savings.
- Departments, on the whole, measured only inputs, in cash terms, but there was little focus on the measurement of outputs, quality, and the extent to

which frontline services were protected. Efficiencies cannot be validated unless departments collate all the necessary information.

- Departments did not always net off the upfront investment costs or the additional recurrent costs necessary to deliver an efficiency. This is misleading.

On the Management of the Efficiency Programme:

- Guidance provided by the Department of Finance and Personnel (DFP) was not sufficiently detailed and was not fully implemented by departments. It did not define an efficiency saving; detail how departments should monitor and measure savings; provide advice on the need to net any investment costs off against savings; or seek assurance that the saving had not impacted adversely on service users.
- Departments' published EDPs were inconsistent; lacked transparency about what was actually being proposed and the potential impact of those proposals; did not provide information sufficient to allow for meaningful public scrutiny or internal monitoring; and did not provide an adequate basis for the measurement of efficiency savings.
- Public reporting of efficiencies was not transparent, comprehensive or meaningful. Progress against departments' overall savings target was reported to the Executive and Assembly but was not published. Information on performance against the details contained in EDPs was not published and little, if any, reference was made in departments' annual reports.

Selected Audit Recommendations

For the Measurement of Departmental Efficiency Savings, the audit recommended that:

- departments do more work to improve information systems, particularly to identify the unit cost of activities and to quantify current performance.
- departments maintain a clear audit trail to support the identification, monitoring and reporting of future efficiency or savings measures.
- future efficiency or savings initiatives include measures which seek to capture quality of service.
- departments establish measures of inputs, outputs and quality of service for all savings programmes; that a robust baseline is established; and that all these measures are monitored and reported on comprehensively, on an annual basis.

- In measuring and reporting future savings, all up-front investment and recurrent costs should be counted and netted off the reported figure.

For the management of the Efficiency Programme, the audit recommended that:

- more substantive guidance is prepared for future savings or efficiency programmes. Guidance should be published and disseminated before the programme commences. The training needs of staff involved in managing and measuring efficiencies should be assessed and any necessary training should be provided to departments.
- departments exercise improved oversight of their ALBs efficiency proposals, enhance their scrutiny role and improve governance arrangements. Departments should provide a strong challenge function to their ALBs in relation to the planning and delivery of future efficiency measures, including the need to ensure that quality of service is maintained.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Energy Efficiency in the Health Sector

Publication Date: September 2012

Audit Office: Victorian Auditor-General's Office

Link to full report: <https://www.audit.vic.gov.au/sites/default/files/20120912-Energy-Health-Sector.pdf>

Audited Entities

- Department of Health (DH)
- Environment Protection Authority
- Department of Treasury and Finance

Audit Objective

- The objective of the audit was to assess whether the Department of Health and health services have been effective in improving energy efficiency in health services. To address this objective, the audit examined:
 - how the Department of Health and health services planned to improve energy efficiency
 - whether the Department of Health and health services are implementing energy efficiency initiatives and meeting energy efficiency targets.

Audit Scope

- The audit examined the role of the Department of Health in planning for energy efficiency across the health sector. It also examined the planning and actions taken to improve energy efficiency at three selected metropolitan health services: Austin Health, Eastern Health and St. Vincent's.
- The audit also examined the activities of the Department of Treasury and Finance in administering the Greener Government Buildings (GGB) program, and the Environment Protection Authority in overseeing the Environment and Resource Efficiency Plans (EREP) program.

Audit Criteria

- Not available

Main Audit Findings

- The Department of Health's (DH) approach to statewide planning for energy efficiency is inadequate. It does not have a documented policy or plan and

lacks a strategic focus and a coordinated approach. It also does not align with health services' local planning.

- While there have been improvements in energy efficiency across the health system over the past seven years, the lack of an adequate planning approach has potentially limited the gains that could have been made. Specifically, DH's planning approach limits its ability to demonstrate whether it is appropriately allocating resources to areas of greatest need or highest risk, and whether it is sufficiently prepared for emerging challenges.
- DH believes that individual health services should be responsible for their own energy efficiency planning. However, this approach is not conducive to optimising and driving outcomes at a system level. Despite this stance, DH undertakes a range of *ad hoc* centralised activities. These activities include estimating cost pressures on health services to inform future planning activities and investigating the feasibility of expanding cogeneration energy supply to selected metropolitan and regional hospitals. These activities confuse whether planning for energy efficiency is a statewide or health service level activity.

Audit Recommendations

- The Department of Health, in consultation with health services, should improve the measures it uses to assess health service energy efficiency performance.
- The Department of Health should adopt a more focused and strategic approach to planning for energy efficiency in the health sector to:
 - support consistent planning at a health service level
 - align with statewide goals for health services.
- The Department of Health, after consulting the Department of Treasury and Finance and approved energy service companies, should assess the risks associated with:
 - the Department of Health's modified approach to delivering energy performance contracts in health services
 - the industry's capacity to deliver energy performance contracts in line with the Department of Health's planned rollout under the Greener Government Buildings program.
- The Department of Treasury and Finance should strengthen its governance arrangements for the Greener Government Buildings program to:
 - influence departments' participation by clarifying roles and responsibilities and its required involvement in delivering and scheduling energy performance contracts
 - clarify departments' performance reporting obligations

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Irrigation Efficiency Programs

Publication Date: June 2010

Audit Office: Victorian Auditor-General's Office (Victoria, Australia)

Link to full report: <https://www.audit.vic.gov.au/sites/default/files/09062010-Irrigation-Full-Report.pdf>

Audited Entities

- Department of Sustainability and Environment

Audit Objective

- This report examines how effectively, efficiently and economically irrigation-related programs have been planned and managed to achieve intended outcomes.

Audit Scope

- The audit examined the planning processes for the Foodbowl Modernisation Project and the Sugarloaf Pipeline, but not the achievement of outcomes. This will occur in a subsequent audit, following completion of the projects.
- The audit also examined the planning, project management and project outcomes for the Central Goulburn 1234 Channel Automation Project, Shepparton Irrigation Area Modernisation Project and the Macalister Channel Automation Project.

Audit Criteria

- Not available.

Main Audit Findings

- Victorian Government decisions to invest around \$2 billion in irrigation efficiency and related projects between 2004 and 2007 were poorly informed. Whether these projects represent the best solution to achieve the government's policy objectives of saving water and securing Victoria's water, remains unclear.
- This was particularly evident for the Foodbowl Modernisation Project, where the decision to commit \$1 billion was based on advice of water savings and cost assumptions that had not been verified, technology that had not yet proven itself and the feasibility of the project, which was unknown. As a

consequence, assumed water losses have been significantly revised down, making the achievement of intended water savings less certain.

- That all projects went straight to the development of business cases, without adequately demonstrating the need to invest or properly consider the most appropriate solution, represents a significant departure from mandatory requirements. Poor documentation and record keeping has been a consistent concern in this audit and has inhibited The Department of Sustainability and Environment's (DSE) ability to provide the necessary assurance on the status of the irrigation efficiency programs.
- From the information provided, while the three irrigation projects have generally progressed as planned against their time frames for completion, in some instances the costs of the projects exceeded the planned costs, expected water savings had not been achieved and the effectiveness of the modernisation was uncertain.

Audit Recommendations

- The Department of Sustainability and Environment should:
 - develop processes and quality assurance mechanisms for the planning of major investments so that future investment decisions are appropriately informed and considered, consistent with mandatory guidance.
 - develop an approach to cost-benefit analysis that demonstrates consistency and enables comparisons over time.
- The Department of Sustainability and Environment should:
 - better document decisions and project information, with particular emphasis on demonstrating outcomes; and
 - routinely report publicly on the status of projects, including time, cost, quality and achievement of water savings.
- The Department of Sustainability and Environment and water authorities should produce more comprehensive project status information to provide greater transparency around the status of projects.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Efficiency of the Office of the Director of Public Prosecutions

Publication Date: March 2008

Audit Office: Audit Office of New South Wales

Link to full report:

http://www.audit.nsw.gov.au/ArticleDocuments/140/177_Director_Public_Prosecutions.pdf.aspx?Embed=Y

Audited Entities

- Office of the Director of Public Prosecutions (ODPP)

Audit Objective(s)

- The audit examined whether the ODPP can demonstrate how efficient it is and whether it has adopted good management practices.

Audit Scope

- The audit looked at the efficiency of the ODPP, focusing on its prosecution activities. The audit did not examine:
 - the effectiveness of the ODPP;
 - the efficiency of the justice system;
 - the adequacy of the ODPP's budget; and
 - the NSW Police prosecutions.
- The audit did not question the merits of Government policy objectives.

Audit Criteria

- The ODPP could demonstrate that:
 - it has an adequate set of efficiency indicators
 - it has valid and reliable information on its services, costs and efficiency
 - its efficiency is high and improving
 - it reports clearly its efficiency to the government and Parliament.
 - it has adequate internal governance arrangements
 - its information systems support efficient management
 - its management arrangements and work practices support efficient operations
 - it systematically identifies and takes action to address efficiency constraints.

Main Audit Findings

- The efficiency indicators the ODPP has been using are not yet sufficiently relevant and appropriate. It does not have service or efficiency targets, and

does not adequately compare its performance over time or to others. Data management practices are not adequate to ensure that information is valid and reliable.

- The ODPP could not show that it had the right number of prosecutors at the right level to minimize costs while delivering quality services. It was not able to provide an objective, documented rationale for the current number and mix.
- The ODPP still does not have valid, reliable and comprehensive information on the cost of its services.
- The ODPP does not have adequate information on the costs of its services and how staff use their time.
- The ODPP has a number of systems in place to manage the efficiency of individual solicitors and other employees, although they are not routinely and consistently applied.

Selected Audit Recommendations

The audit recommended that the ODPP:

- continue to build on recent improvements to its service and efficiency indicators. In so doing the ODPP should:
 - by the end of 2007-08, clearly articulate its services, and how these services contribute to the results it is trying to achieve
 - by the end of 2007-08, develop indicators of quantity, timeliness, total cost and unit cost for each service
 - from the beginning of 2008-09, include these indicators in its planning and internal reporting
 - select from these a smaller number of 'headline' indicators to use in its reports to Parliament and to the Minister
 - start building a data development agenda and report progress alongside its reporting on service performance
- collect accurate and comprehensive information about the costs of its services and activities and use this to assess its efficiency and cost effectiveness. In so doing the ODPP should:
 - bed down its prosecution service and activity costing methodology and ensure the costing process adopted is able to accurately identify the cost of delivering prosecution services

- apply appropriate costing methodologies to its other key services such as witness assistance, contribution to an efficient justice system, and advice to government on proposed legislation
- use service costing information to enhance its reporting
- use service costing information to improve its service delivery, efficiency and resource allocation. In so doing the ODPP should use service costing information to:
 - inform its planning, decision-making and cost management
 - benchmark costs between different groups in the organization and other agencies

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Economy and Efficiency of Services – Correctional Service Canada

Publication Date: December 2008

Audit Office: Office of the Auditor General of Canada

Link to full report:

http://www.oag-bvg.gc.ca/internet/English/parl_oag_200812_07_e_31831.html

Audited Entities

- Correctional Services Canada

Audit Objectives

- The objectives of the audit were to determine whether Correctional Service Canada can demonstrate sufficient attention to economy for the resources and goods used in the provision of its security services and the procurement and delivery of institutional services (food, cleaning, and clothing), and
- Whether the Agency can demonstrate that these services are managed, designed, and provided with sufficient attention to their efficient delivery.

Audit Scope

The audit covered three key areas of Correctional Service Canada relevant to economy or efficiency:

- the procurement of food and cleaning products and the procurement and distribution of correctional officers' and male inmates' clothing;
- the delivery of security services through the allocation of correctional officers, including the payment of overtime; and
- senior management's monitoring and decisions relating to security services and food, cleaning, and clothing services.

Audit Criteria

- We expected Correctional Service Canada's senior management to have the assurance that services are designed and provided in a manner that demonstrates sufficient attention to efficient delivery.
- We expected Correctional Service Canada to have demonstrated sufficient attention to efficiency in the management of its human resources by developing and deploying a standard for allocating the minimum number of correctional officers to provide a safe and secure environment for its inmates and employees in its institutions.

- We expected Correctional Service Canada to have demonstrated that it had designed and implemented its policies, procedures, and practices for inventory and distribution of institutional goods with sufficient attention to efficiency.

Main Audit Findings

- Correctional Service Canada does not manage its purchasing of food, clothing, and cleaning products in a way to obtain best value at the lowest available cost. Its purchasing processes are behind those of other industries that purchase similar goods in similar volumes. This means the Agency is missing opportunities for savings available through higher-volume purchasing. In addition, CSC has not analyzed either the overall cost of preparing food inside the institutions or whether there are more economical alternatives.
- Overtime costs have continued to increase in the last six years, significantly exceeding the amount budgeted. At the same time, spending on rehabilitation programs, training, and building maintenance has been less than the budgeted amounts. While some overtime is necessary to deliver security services, the audit found no overall strategy or policy designed to control the use of overtime, and little analysis of the impact of overtime on salary expenses and programs and of whether using overtime is more economical than hiring additional personnel.
- CSC focuses much of its effort on safety and security over economy and efficiency. The audit found little direction from national headquarters to institutions on how to manage their operations more economically and efficiently.
- None of the performance information currently tracked looks at economy or efficiency of operations. Further, the requirement to manage economically and efficiently is not included in senior management performance agreements, so there is little incentive for them to do so.

Audit Recommendations

Correctional Service Canada should:

- Collect, at a national level, sufficient information on the volume and cost of its purchases and their use by location. It should use this information to perform in-depth analysis of its procurement of its food, cleaning, and clothing services, and regularly examine potential alternatives and improvements to its current practices. Further, it should examine the cost-saving opportunities based on the volume of its purchases.

- Conduct sufficient analysis to determine that its deployment of correctional officers results in the most economic and efficient result.
- Ensure that its senior management receive and review suitable analysis and performance information to allow them to monitor and make decisions for its institutional and security services with sufficient attention to economy and efficiency. The Agency should identify and analyze opportunities for cost savings, and for planning, implementing, monitoring, and improving the delivery of these services with due consideration to economy and efficiency.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Criminal Prosecutions

Publication Date: December 2012

Audit Office: Office of the Auditor General of Ontario

Link to full report:

<http://www.auditor.on.ca/en/content/annualreports/arreports/en12/302en12.pdf>

Audited Entities

- The Criminal Law Division of the Ministry of the Attorney General

Audit Objective(s)

- To assess whether the Division had established adequate policies, systems and procedures for the timely and efficient prosecution of criminal matters on behalf of the Crown, and for measuring and reporting on program effectiveness.

Audit Scope

- Audited the head office, 5 regional offices and 11 Crown attorney offices.

Audit Criteria

Not available.

Main Audit Findings

- The number of Crown attorneys and the overall staffing costs for the Criminal Law Division (Division) have more than doubled since the last audit in 1993. Yet the number of criminal charges that Crown attorneys dispose of per year has not substantially changed.
- The Division makes little use of numerical and statistical information to analyze the relative workload, efficiency and effectiveness of its Crown attorneys, and relies more on informal oversight by senior staff at each of the 54 Crown attorney offices.
- The Division does not formally assess its prosecutorial performance—for example, it does not gather information on how efficiently charges are screened; how long it takes to prepare cases; whether court diversion programs for resolving minor criminal charges are used appropriately; the

number of bail release applications, and what their conditions and results are; and what the outcomes of cases are.

- No staffing model has been established to determine how many Crown attorneys should be at each local office, and there is no benchmark for what a reasonable workload for each Crown attorney should be.

Selected Audit Recommendations

- To ensure that decisions on the use of legal and support staff resources and results of prosecutions are supported by timely, relevant and accurate information, the Criminal Law Division of the Ministry of the Attorney General should identify what information is needed and develop systems as soon as possible to deliver this information to its regional and local Crown-attorney-office management. The Ministry should also use this information to hold the Division accountable for demonstrating the cost-effective use of its resources.
- In order for the Criminal Law Division to adequately oversee its prosecutions, monitor its costs and assess its performance, it should regularly analyze the trends, rates and reasons for stays and withdrawals, adjournments, trial rates, bail release violations, guilty pleas and guilty verdicts, and use of diversion programs. In addition, the Division should compare its performance to other provinces and, where Ontario's overall trends differ from those of other large provinces, determine the reasons for such differences.
- To ensure that Crown attorneys have the workload flexibility to devote a similar amount of time to charges of a similar nature, the Criminal Law Division should:
 - establish benchmarks for what a reasonable workload for each Crown attorney should be;
 - collect and analyze information on workloads and cost variances between regions and Crown attorney offices to identify opportunities to use resources as efficiently as possible and address inconsistencies; and
 - ensure that management has the ability and flexibility to address temporary and permanent workload pressures by, for example, relocating prosecutors and support staff between Crown attorney offices, and using contract lawyers where and when appropriate.

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FOCUS ON SERIES - EFFICIENCY

Audit Summary

Audit Title: Hospital Emergency Departments

Publication Date: December 2010

Audit Office: Office of the Auditor General of Ontario

Link to full report:

<http://www.auditor.on.ca/en/content/annualreports/arreports/en10/305en10.pdf>

Audited Entities

- Ministry of Health and Long-Term Care
- Various Hospitals and Emergency Medical Services

Audit Objective(s)

- The objective of the audit was to assess whether selected emergency departments had adequate systems and procedures in place to ensure that:
 - services were managed and co-ordinated efficiently to meet patients' needs;
 - services were delivered in compliance with applicable legislation and policies in a cost-effective manner; and
 - performance was reliably measured and reported.

Audit Scope

- On-site audit work at three hospitals
- Surveyed 40 hospitals of varying sizes
- Surveyed 14 ambulance Emergency Medical Services

Audit Criteria

- Not available

Main Audit Findings

- Significant province-wide progress has not yet been made in reducing emergency-department wait times. At the time of the audit, emergency-department wait times did not yet meet provincial targets.
- Provincially, actual times to physician assessment did not meet the CTAS-recommended times by a wide margin, especially for high-acuity patients in CTAS levels 2 and 3: only 10% to 15% of the patients in these levels were seen by physicians within the recommended timelines.

- Over three-quarters of the hospitals that responded to our survey indicated that limited hours and types of specialists and diagnostic services available on-site were key barriers to efficient patient flow.
- Delays in transferring patients from emergency departments to hospital beds frequently occurred because empty beds had not been identified or hospital rooms cleaned on a timely basis.
- Patients with less urgent or non-urgent conditions took up 30% of emergency-department physician time, which could have been spent on patients with more urgent conditions.

Selected Audit Recommendations

- To ensure that emergency departments are operating in the most effective way to provide high-quality emergency care as quickly as possible to all patients:
 - hospitals should identify causes of delays in patient flow and examine ways of reducing wait times in emergency departments accordingly;
 - the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to identify and disseminate best practices from Ontario and other jurisdictions; and
 - the Ministry should provide funding to hospitals in a timely manner to enable hospitals to have adequate time to implement the funded initiatives cost-effectively.
- To ensure that triaging is done appropriately and consistently within the recommended time frame:
 - hospitals should conduct periodic audits to monitor the quality and accuracy of triage and identify areas for improvements;
 - hospitals should consider performing a quick “pre-triage” on patients who cannot be triaged immediately upon arrival at emergency departments; and
 - the Ministry should work with the Emergency Medical Services (EMS) to provide updated training for paramedics to ensure that hospitals and paramedics are using consistent triage practices.
- To better allow hospitals to assess the impact that timely specialist consultation and diagnostic services have on patient care, especially for high-acuity patients, hospitals should track targeted and actual wait times for specialist consultation and diagnostic services for emergency patients, so that the impact of these wait times on providing timely and appropriate patient care can be periodically assessed.

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