
**An independent review by Grant Thornton UK LLP on eHealth Funding
between eHealth, NHS National Services Scotland and NHS Tayside between
2012 and 2018**



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Introduction

Introduction

Following the identification of the potential misuse of Scottish Government eHealth monies, which may date back to 2012, the Scottish Government NHS Director of Finance commissioned Grant Thornton UK LLP to independently consider the arrangements in place in respect of eHealth, NHS National Services Scotland (NSS) and NHS Tayside.

The focus of our investigation related to the Scottish Government Health and Social Care Directorate's (SGHSCD) eHealth programme resource allocation transactions between 2012 and 2018. These transactions were transfers of resource allocations from NSS to NHS Tayside through the Scottish Government's revenue allocation process, and ranged in value from £0.538 million to £2.582 million over the time period. In 2017/18 the financial impact on NHS Tayside due to these funds is £5.3million (the unreturned balance in 2016/17 and the 2017/18 funds).

NSS commissioned a separate internal investigation of eHealth funds within NSS, which was undertaken by NSS's internal audit provider. In addition, NHS Tayside commissioned an internal investigation which was led by NHS Tayside's Strategic Director of Finance, related to the impact on the NHS Tayside financial position in 2017/18 and 2019/20. Our review has cross referred to the relevant findings from this work where applicable.

Scope

In accordance with our letter of engagement, dated 5 March 2018, the scope of our work was:

- consideration of the controls and processes in place within e-Health to allocate monies to NSS, including how the monies were determined, if there were any conditions over the funds e.g. ring-fenced, the approval process and how the eHealth team then monitored the spend and usage by NSS. We also considered how NSS and NHS Tayside accounted for these monies, and whether that is appropriate;
- consideration of the controls in place at NSS and the arrangements established to allocate and spend the eHealth money received. This included the authorisation (within scheme of delegation) and reporting of the transactions; and
- consideration of the controls in place at NHS Tayside on receipt of the monies from NSS including the purpose of the monies, the payback arrangements, and the nature over which the money was to be used and accounted for within NHS Tayside's financial reporting and financial statements.

Our work was limited to the scope detailed above and did not constitute a forensic investigation of eHealth transactions or financial accounting. Our audit work was undertaken between 5th and 19th March 2018.

Introduction (continued)

Scope limitations

This report sets out our findings based on the work performed up to 19 March 2018. Should further information become available subsequent to the date of this report, we reserve the right to reconsider our conclusions in light of such additional information.

Our work does not constitute an audit or a forensic examination and therefore does not provide the same level of assurance as an audit. Our conclusions are based on documentation provided to us by the Scottish Government, NSS and NHS Tayside and interviews with relevant staff.

Key findings

Our investigation identified a number of findings relevant to NSS, NHS Tayside and Scottish Government. From 2012 NHS Tayside were “holding” money related to future eHealth programme activity, which was given to NHS Tayside by the Scottish Government, as directed by NSS via Revenue Resource Allocations (RRL). No one during the course of our review was able to articulate why NHS Tayside were holding monies but it coincides with when NHS Tayside started to receive financial support through brokerage. In addition, it also aligns with slippage in the eHealth programme and more recently reductions in eHealth funding. From 2012 up to 2015 the money “held” by NHS Tayside was returned the following year, through RRL transactions. From 2016/17 the money being held became a larger sum, and we understand that NHS Tayside were informed they did not need to pay back the 2016/17 monies during 2017/18 due to overall eHealth slippage. In 2017/18 NHS Tayside requested a further sum of 2.7million, in addition to the sum they were still “holding”.

In 2016/17 NHS Tayside effectively used the money they were holding (circa £2million) to offset general expenditure in year, which supported them in showing a more favourable financial position. As a result this misrepresented NHS Tayside’s financial position. For 2017/18 NHS Tayside were planning on having eHealth monies to hold within their RRL of £5.3million (the 2016/17 balance plus an addition £2.7million which was requested in February 2018 but not processed). This £5.3 million was required in order for NHS Tayside to achieve the forecasted £5 million deficit in year, which was being reported to Scottish Government.

Ultimately this arrangement supported NHS Tayside given their financial challenges but also the eHealth programme administrated by NSS, as slippage could then be carried forward for future use eHealth programme use.

Overall, there was a lack of openness, governance and wider transparency over these transactions between 2012 and 2017, in particular between the two Health Boards and the Scottish Government. We did not identify specific evidence which demonstrates a clear intent to mislead the SGHSCD. However, we did identify instances where there could have been greater clarity through reporting, both how these funds were held and used by NHS Tayside; within the eHealth Strategy Board updates where only “retained funds” are referenced rather than the nature of the funds and how they were retained; the reporting of the transactions within the eHealth leads group, and within the eHealth allocation trackers.

Significant findings from our investigation are noted below:

NHS National Services Scotland:

- Based on the various email trails and requests to transfer money via RRL allocations, although this is processed (approved) by the Scottish Government, it appears after approval by eHealth Leads Group NSS eHealth actively directed the money to NSS eHealth to NHS Tayside via the Scottish Government considering the language used.

Key findings (continued)

NHS National Services Scotland continued:

- There is a lack of clarity over whether NSS eHealth monies fall under wider NSS governance arrangements or those of the Scottish Government eHealth team. As a result it appears that the eHealth arrangements fell outside of both respective governance arrangements. The NSS eHealth Head of Finance facilitated a number of the transactions via the Scottish Government, with certain members of the wider NSS finance team copied in at differing points in time.
- We identified that there were inconsistencies and quality issues in the reports used for tracking and monitoring of financial spend and funding commitments and receipts. Reports are confusing, and the risk of spreadsheets within NSS eHealth and Scottish Government eHealth increases the risk of error for example the sums in 2016/17 NHS Tayside were holding dropped off the NSS eHealth tracker in error.
- The email trails reference a number of individuals in the NSS eHealth Team including the Head of Finance. In February 2016 (related to 15/16 monies) emails evidence discussion between the Director of Finance at NHS Tayside, who explains the Tayside financial position and the associated income position and the Director of Finance at NSS, who also confirms that NHS Tayside can “bank” funds. In certain emails the Director of Finance at NSS is copied in, indicating awareness of the situation at this point in time. The email trail appears to indicate that the Director of Finance at NHS Tayside was planning on using the eHealth money as part of their overall income that year, and that the Director of Finance at NSS was aware of this intention.
- Within the NSS internal audit report there is an acknowledgement of historic practices. However, practices which appear out with the norm should have been challenged and raised – particularly given NHS Tayside’s financial position in the later years of the transactions.

NHS Tayside:

- Since 2012, the Board’s reported financial performance has been misrepresented. The Board recognised allocations that were communicated at the eHealth working group as being ‘held’ on behalf of eHealth Leads (other health boards) to support their underlying financial performance (as in effect income was recognised through the total RRL allocation but no corresponding expenditure).
- There is a lack of controls in place at NHS Tayside around the approval for amendments to revenue resource allocations to/from the Scottish Government and the nature of these funds.
- The financial monitoring reports presented to the Directors Group and Finance Committee / NHS Tayside Board do not detail the eHealth funding transactions. Given the significance of the transaction values (£2.582 million in 2016/17) on the Board’s reported outturn position, and that they would need to be repaid in future years through reductions in resource allocations, we would have expected this to be identified in monitoring reports.

Key findings (continued)

NHS Tayside continued:

- The eHealth funding transactions were not visible across either internal management reports or the Board / Finance and Resources Committee papers. While not in the scope of our review, we have significant concerns around the practices being followed by NHS Tayside in relation to the use of funds to offset expenditure to which the funding had not been provided. This process has been embedded into the Board's financial planning and financial reporting processes for a number of years and therefore has masked the underlying operating position of the Board.
- There does not appear to have been any challenge by the Board around the accounting treatment of eHealth monies as well as other monies recognised in year but for which expenditure was deferred to future years. This we think is due to a lack of reporting of the transactions, as the knowledge of these transactions seems to be contained to the NHS Tayside Director of Finance, NSS eHealth and the eHealth Leads group. They have been in effect "off budget reporting" transactions.

eHealth and the SGHSCD:

- There was a lack of scrutiny and challenge from eHealth leads to consider the nature of the arrangements in place that allowed NHS Tayside to 'hold' the funds. The eHealth leads are IT/Operational leads from the respective NHS Boards and therefore not necessarily of a financial accounting background. The eHealth Leads group were focused on operational delivery of eHealth programmes.
- The Deputy Director eHealth has responsibility for ensuring resources under his remit are spent appropriately. The transfer of funds to NHS Tayside to "carry forward" for eHealth programmes were not appropriate, given these would not be utilised by the Board in the year.
- There are opportunities to enhance the oversight and scrutiny of resource transfers within SGHSCD and eHealth Leads. Within SGHSCD we would have anticipated that the nature of the transfer request should have prompted concerns around the purpose and use of these funds. Meetings took place between SGHSCD Finance and NSS to monitor the financial performance across national programmes but these did not identify clearly that NHS Tayside were holding funds on behalf of the NSS eHealth programme. Likewise, there is significant scope to enhance the current financial monitoring arrangements in place across the eHealth Leads group.

Key findings (continued)

Our conclusions

Based on our review, there were a number of different parties involved in the process – NHS Tayside, NSS, NSS eHealth team and Scottish Government eHealth. As evidenced in our review of the supporting emails, relevant papers reviewed and those interviewed we would conclude:

EHealth leads

This was an IT operational group, representing all Boards. Based on the review of the minutes this group was focused on the delivery of the various eHealth programmes. The focus was on delivering the programmes planned within the eHealth budget and to minimise slippage. Whilst the group did get finance updates, the group on the whole were not financially aware (given operational focus). The group did approve the carry forward of eHealth funds where slippage was incurred from 2012 but we believe this was in the context of looking to ensure eHealth programmes were still delivered and they were not aware of the financial consequence, in particular how NHS Tayside would account for this money. The NHS Tayside Director of Finance was not on this group.

NSS eHealth Finance (part of NSS Finance)

This team were focused on the overall eHealth budget and delivering the planned eHealth programmes. Based on the email exchange they acted to ensure eHealth monies were not retained back into Scottish Government but believed could be in effect held, and brought back into NSS the following year to fund ongoing eHealth programmes. It is unclear why NHS Tayside were the Board to “hold monies” in 2012 but coincides with the first year the Board received brokerage. As the arrangement progressed, this became beneficial to both NHS Tayside and eHealth as there was greater slippage in the programme alongside reductions in future funding. This arrangement was reported to the eHealth group and was approved by the Scottish Government eHealth team who processed the transactions via RRL allocations.

Wider NSS Finance

Between 2012 and 2017, more latterly from February 2016 onwards members of the NSS finance team were aware of the funding arrangements and that NHS Tayside were holding e-Health monies to be returned the following year. This is evidenced in email exchanges between the NHS Director of Finance for Tayside and the NSS Director of Finance (relating to 2015/16 monies). Therefore, although being aware, this was never raised as a potential issue or concern, particularly in light of the NHS Tayside financial challenges and therefore a historic practice was allowed to continue. NSS as an organisation did not get visibility of the overall eHealth budget as it was considered as ‘pass through monies’ and therefore not subject to NSS governance or scrutiny arrangements at the overall budget level.

Key findings (continued)

Our conclusions (continued)

NHS Tayside

Up until 2016/17 NHS Tayside “held” the money and then returned the money to NSS via negative RRL allocations. In 2017/18 NHS did not return the £2.582 million allocation received in 2016/17 as it was not required by the eHealth programme. The nature of this transaction was not visible in any of NHS Tayside’s internal reporting arrangements, including executive team updates, reporting to finance committee and the Board. The money was accounted for in the RRL position for NHS Tayside but not declared or reported as not being related to in-year expenditure, and therefore deferred income. Therefore misrepresenting NHS Tayside’s financial position.

Scottish Government eHealth

Over the period of time, NSS eHealth directed the Scottish Government eHealth team to make the respective RRL allocation adjustments, setting out the rationale. The Scottish Government eHealth team processed these transactions and did not scrutinise or challenge the rationale. The Deputy Director of eHealth was involved in the eHealth leads group, but similar to the wider group we understand their role, based on minutes, was focused on operational delivery of the projects. We would have expected additional controls to be in place to scrutinise and challenge the legitimacy of the requests and subsequent transfers.

Background

eHealth is a national programme designed to deliver the Scottish Government and NHS Scotland's eHealth Strategy. The Scottish Government eHealth Division support/lead a range of workstreams, working with regional and other Boards, to drive forward the eHealth agenda.

The eHealth programme is administered by NHS NSS on behalf of the Scottish Government and eHealth Leads. The eHealth activity is governed through eHealth Leads Group which includes senior IT representatives from the regional Boards, national Boards (including NSS) and the Scottish Government eHealth Division.

During 2016/17 the Scottish Government invested £73.6 million in the core eHealth national programme. This is allocated across the Boards directly by the SGHSCD.

During the year, in addition to this core funding, discrete funding allocations may occur via RRL transactions related to specific eHealth projects.

NSS Finance manages the reporting of the eHealth financial position against budget and reports monthly to eHealth Leads (and eHealth finance subgroup when in operation).

In 2012, the eHealth Leads group recognised the requirement for a reinvestment fund to be established to support future investment in IT infrastructure. The fund was generated through surplus eHealth monies generated annually through unspent budget allocations achieved through planned efficiencies and unplanned slippages. This, along with subsequent allocations for specific multi-year programmes has resulted in eHealth having balances at the end of each financial year 2012-17 that they wished to carry forward to be used in future years.

As agreed at the eHealth Leads meeting, NHS Tayside have facilitated the carry forward of unspent balances on behalf of eHealth programme since 2012. This coincided with the first year of NHS Tayside's financial challenges, and therefore they were able to "hold" the funds within their RRL without declaring a potential surplus to be returned to Scottish Government, as they were already in receipt of brokerage.

Background (continued)

Funding allocations

In 2012, the former Deputy Director of eHealth agreed (as minuted) that the forecast reinvestment fund balance at March 2013 of £0.870 million, would be “*carried forward*” by NHS Tayside.

This was on the basis that NHS Tayside had the ability to do so. This was because the Board had operational deficits which meant that additional resource allocations did result in significant overspends.

This was transacted through Scottish Government Revenue Resource Limit (RRL) allocations with NHS Tayside receiving an in year increase in its allocation and NSS receiving an equal and opposite reduction. In 2012/13, NHS Tayside recognised this allocation as part of its Core RRL in the annual financial statements. The transaction was reversed the following year, with the funding allocation returned to NSS.

This arrangement was effectively an informal form of brokerage with NHS Tayside receiving additional resource allocations, which were effectively being used against operational spending pressures and then returned back to NSS via Scottish government through reductions in future years allocation.

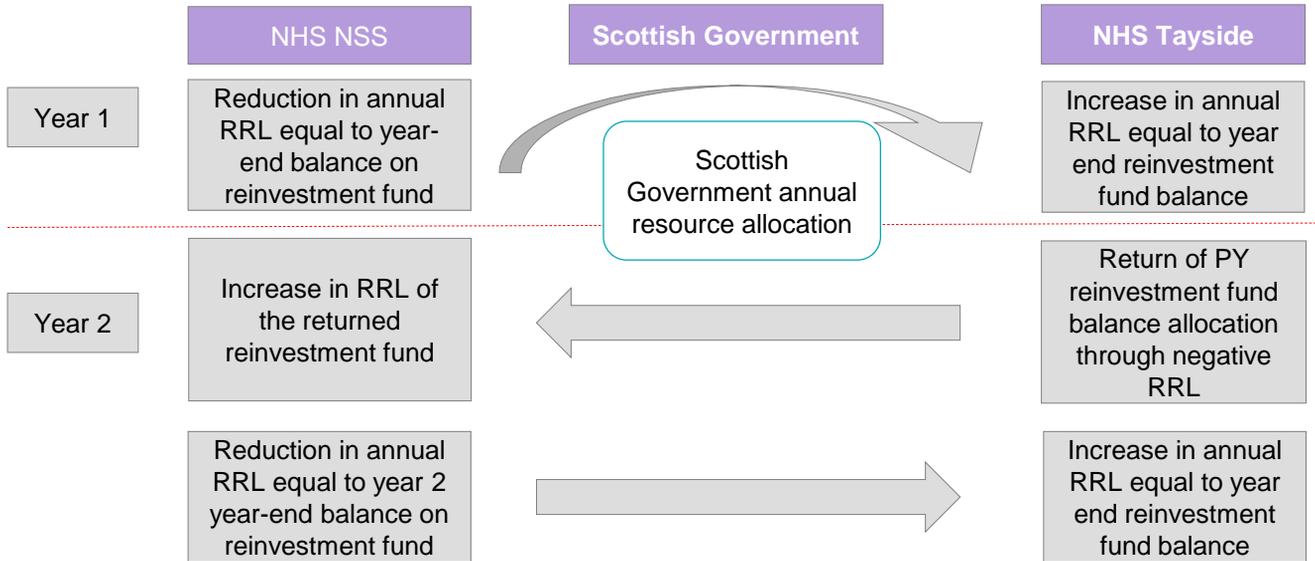
In each of the following years, this series of transactions took place for sums ranging between £0.538 million and £2.582 million. In each instance, the initial allocation of the eHealth reinvestment fund has been authorised by the former Deputy Director of eHealth and processed via the SGHSCD reallocation process.

Each of the transactions were reported to the eHealth Leads group (and while in operation the eHealth Finance subgroup) through disclosure in financial monitoring reports covering the eHealth programme, albeit we note these reports are difficult to follow and that the eHealth group as an operational group did not necessarily contain suitable financial expertise. We have agreed each of the transfers to Scottish Government allocation letters.

Background (continued)

Funding allocations continued

The diagram below summarises the process for the transfer of resource allocation between NSS and NHS Tayside via the SGHSCD revenue allocations. The diagram also shows how this allocation is returned in the subsequent financial year. This process was repeated on an annual basis.



Timeline

Year	Summary of transactions	£m	Narrative
2012/13	£0.87 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund	0.87	This transactions has been agreed to email correspondence between all parties including the former Deputy Director for eHealth.
2013/14	£2.2 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund Return of 2012/13 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations	2.2 (0.87)	These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.
2014/15	£0.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund Return of 2013/14 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations	0.538 (2.2)	These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth.
2015/16	£0.647 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on reinvestment fund Return of 2014/15 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations	0.647 (0.538)	These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth. We note from the email correspondence that the Head of Primary Care authorises the transaction.
2016/17	£2.538 million transferred from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on eHealth programmes and reinvestment fund Return of 2015/16 resource allocation from NHS Tayside to NSS via SGHSCD resource allocations	2.538 (0.647)	<p>These transactions have been agreed to email correspondence between all parties including the former Deputy Director for eHealth, authorising the transaction. The fund was transferred through individual transfers of:</p> <ul style="list-style-type: none"> - £0.970 m (eHealth strategic transformation) - £0.962 million (eHealth strategic infrastructure) - £0.3 million (CHI & Child health) - £0.35 million (OOH) <p>We note the £0.3 million and £0.35 million were part of smaller funds allocated to eHealth oversight. We have confirmed these have went through appropriate SG Finance.</p>
2017/18	A request for an additional transfer of £2.7 million from NSS to NHS Tayside via SGHSCD reflecting carry forward balance on eHealth programmes and reinvestment fund	2.7	<p>This revenue resource transfer has not been processed as it is currently on hold pending this investigation. The request is broken down into individual requests of:</p> <ul style="list-style-type: none"> - £0.950 million (eHealth applications transformation) - £0.550 million (eHealth applications reprocurement) - £0.9 million (CHI & Child health) - £0.3 million (eHealth applications infrastructure) <p>We note that the £2.538 million allocation from 2016/17 has not been returned to NSS eHealth in the current year.</p>

eHealth structures and funding

eHealth

The Scottish Government eHealth strategy (2011-17) defines eHealth as the use of ICT to meet the needs of individuals to improve the health of citizens including electronic information recording and sharing between individuals and bodies. The Scottish Government eHealth Division lead a range of workstreams, working with regional and other boards, to drive forward the eHealth agenda. The eHealth programme is administered by NHS NSS.

The eHealth activity is governed through eHealth Leads Group which includes senior representatives from regional boards, national boards (including NSS) and the Scottish Government eHealth Division. During 2016/17 the Scottish Government invested £73.6 million in core eHealth funding. This is allocated across the Boards, managed by the Scottish Government Health Division. Health boards also invest in eHealth programmes. However, there is no central monitoring of such expenditure and this is distinct from Scottish Government core investment. In addition, there are distinct elements of funding provided by the Scottish Government for individual programmes that may fall under the eHealth umbrella. For core eHealth funds, these are allocated to Boards through their wider IT budget allocations. Where central eHealth programmes are initiated these are transferred to NSS through the 'payments on behalf of Board' process.

The Head of Finance (IT) within NSS then manages the progress v budget across eHealth programmes and NSS present reports to eHealth Leads and eHealth finance subgroup meetings. Wider IT programmes are not within the scope of our investigation.

eHealth Reinvestment fund

In 2012, eHealth agreed (as minuted) that the reinvestment fund balance for 2013/14 of £0.870 million, would be "carried forward" by NHS Tayside. This was transacted through Scottish Government Revenue Resource Limit (RRL) allocations with NHS Tayside receiving an in-year increase in its allocation and NHS Tayside receiving an equal and opposite reduction.

In 2012/13, NHS Tayside recognised this allocation as part of its Core RRL in the annual financial statements. The transaction was reversed the following year, with the funding allocation effectively returning to NSS.

In each of the following years, this series of transactions took place for sums ranging between £0.538 million and £2.582 million. In each instance, the initial allocation of the eHealth reinvestment fund has been initiated by NSS and NHS Tayside and authorised by Scottish Government eHealth. Each of the transactions were reported to the eHealth Leads group (and while in operation the eHealth Finance subgroup) through disclosure in financial monitoring reports covering the eHealth programme.

From 2015/16, the amounts "held" by NHS Tayside included allocations that were outwith the original eHealth Reinvestment fund. This included £0.3 million (CHI & Child health) and £0.35 million (OOH). These arrangements were agreed with the Head of Primary Care. The funds are for eHealth related programmes and monitored through eHealth leads.

NHS National Services Scotland

NSS have recognised the transaction through movements in their RRL. As the Board does not have the authority to transfer these funds directly to other health boards, the funds were transferred through the Scottish Government by adjustments in resource allocations. The reinvestment fund balance held at the end of each of the financial years since it was established in 2012, has been transferred from NSS to NHS Tayside through RRL allocations. We have agreed these allocations to Scottish Government allocations letters for each of the boards and email confirmation authorising the transfer. It appears that after eHealth Leads Group approved the transfer, eHealth actively directed SG transfer funds to NHS Tayside.

NSS internal auditors have conducted an investigation of eHealth funds at NSS. The review identified a number of recommendations around the control and governance arrangements in place within NSS around the administration of eHealth funds. Through our own investigation including: discussions with the Head of Finance, IT (NSS); review of email correspondence between NSS, Scottish Government and NHS Tayside, and considering the findings from internal audit's report, the following findings have been identified:

Transactions

The Scottish Government provides funding to NSS for eHealth through resource allocations. eHealth then administer these funds accordingly on behalf of eHealth Leads group. As noted in our timeline, the unspent eHealth funding was returned to Scottish Government in the form of negative allocations. While the funds were often significant (2016/17: £2.582 million), there appears to be no requirement internally within NSS for the changes to be authorised or explained.

The email correspondence from NSS with the Scottish Government and NHS Tayside in relation to the transaction, primarily involved the NSS Head of Finance. We understand from NSS internal investigations that the NSS Director of Finance was only aware of the eHealth allocations to NHS Tayside through the SGHSCD resource allocations in 2016. This is consistent with the review of email correspondence around the transactions where the NSS Director of Finance is included within the email trail relating to 2015/16 transactions. We understand from the Internal audit investigation that the Director of Finance had concluded that the eHealth monies were deemed as SGHSCD's own budget which NSS only administered. As the reverse transfer arrangement had been agreed with and processed through the Scottish Government (eHealth Deputy Director), as this was considered to be sufficient.

NHS National Services Scotland (continued)

On 23 February 2018 an email from NSS to the Scottish Government's Finance Team requesting transfer of allocation in 2017/18 to NHS Tayside was recalled. The recalled email contained an email trail dating back to 10 March 2017. This includes emails from the NSS Head of Finance, NHS Tayside's Director of Finance and Scottish Government (eHealth) team which includes the following extract:

"In order to clarify for everyone copied, these are "national funds" for programmes such as Chi and Child Health and GP IT rather than "NSS funds"; NSS is helping to arrange the brokerage and thanks NHS Tayside on behalf of the national programmes for assisting with this"

In the subsequent email from NSS to Scottish Government Finance and NHS Tayside, the email trail was removed and the transfer request is broken down into four separate transactions.

NSS Internal audit's investigation concluded that this was recalled because it did not provide sufficient detail of the breakdown of the transaction. This is consistent with our own discussions with NSS Head of Corporate Reporting. NSS internal audit confirmed that from discussions with the NSS Head of Corporate Reporting that she was aware that the recalled email trails referred to "brokerage" and in her view this was not appropriate as this was not her understanding of the arrangement. Therefore this had been excluded from the follow up email.

Authorisation and oversight

There are clearly lessons for senior budget holders around greater understanding of the implications on local boards on funding decisions, in particular where there are late allocations or in the case of eHealth funds allocations that are effectively ring-fenced for returning to Scottish Government at a future date. Health boards are required to manage and report their financial performance against annual resource allocations and therefore where funds are allocations which are unlikely to be utilised in year these should be returned to the Scottish Government.

NSS maintain monitoring spreadsheets on behalf of the eHealth leads which provides a breakdown of expenditure and funding in the current year as well as forecasted financial activity. This spreadsheet is an important tracker of the eHealth Reinvestment fund as it is where the eHealth Leads can monitor the balances due from NHS Tayside. Towards the end of 2016/17, the tracker which recorded the £1.9 million of the £2.582 million held by NHS Tayside on behalf of eHealth and which was due to be returned via Scottish Government allocations was amended to £0.35 million. This was due to the spreadsheet focusing on the current year's forecast revenue (including funding returns) which had been reduced reflecting the agreement for NHS Tayside to continue to 'hold' the funds until 2018/19. Visibility and transparency of the remaining balance due from NHS Tayside was lost at this point. We note that the Scottish Government Finance team maintain a separate spreadsheet which does record the outstanding amounts, however this is at a higher level. This creates a risk that the future anticipated transfer from NHS Tayside could be missed and therefore eHealth monies not utilised for their purpose intended.

NHS National Services Scotland (continued)

Authorisation and oversight (continued)

In addition, we found from review of the tracker that there were inconsistencies in the recognition of the source of carry forward balances in 2016/17 between the NSS Head of Finance and SGHSCD. While this did not impact on the overall financial monitoring arrangements it highlights weaknesses in the current administration of the accounting records. The NSS internal audit investigation concluded that within NSS there is insufficient monitoring of financial activity in relation to national programmes and that there was insufficient scrutiny over the programme activity at both the senior management and Board level. The investigation has recommended that controls are established over the authorisation of budgets and financial monitoring arrangements. Our review has found further areas where the controls need to be enhanced.

Finding 1: There are significant improvements required to the controls over the administration, scrutiny and oversight of funds being administered by NSS on behalf of national programmes. While we recognise that the use of these funds (including eHealth monies) may not be under the direct control of NSS, they are included within the NSS annual SGHSCD allocations and therefore the Board are responsible for ensuring these funds are appropriately held and monitored. In addition, there should be a clear alignment between NSS monitoring and Scottish Government finance monitoring arrangements with only one tracker used.

NHS Tayside

NHS Tayside received funding each year to 'hold' on behalf of the eHealth reinvestment fund. The mechanism for transferring the funds was through an increase in revenue resource allocation for the year. In all but one year (2013/14), where the reinvestment fund balance was lower at the year end, the NHS Tayside had a net increase in in-year revenue resources from the allocation. The Boards' financial performance is measured against agreed revenue resource limit.

Transactions and impact on underlying financial position

We reviewed NHS Tayside's financial statements and agreed that the transferred sums are included within the disclosed revenue resource allocation. However, no disclosure has been made within the financial statements to highlight that the Board's allocation includes sums held on behalf of eHealth Leads for a future year.

Since 2001-02, under Resource Accounting and Budgeting (RAB), NHS Boards are provided with a Revenue Resource Limit, a Capital Resource Limit and a Cash Requirement. The RRL is not accrued in the accounts rather it is a limit set by the Scottish Government Health and Social Care Directorate, within which NHS Boards are required to contain their expenditure.

In recognising the eHealth reinvestment funds at the end of each financial year as part of the Board's RRL, for which corresponding expenditure has not been incurred, NHS Tayside has not appropriately disclosed its true financial performance in year. The table below summarises NHS Tayside's underlying financial position when eHealth monies being held each year are removed against the reported position.

	Reported £m under / (over) RRL £m	Net in year impact of eHealth funds £m	Underlying financial position under / (over) RRL £m
2017/18*	(5.0)	(5.238)	(10.238)
2016/17	0.117	(1.891)	(1.774)
2015/16	0.145	(0.109)	0.034
2014/15	0.58	1.662	2.242
2013/14	0.199	(1.33)	(1.131)
2012/13	0.274	(0.87)	(0.596)

*The Board financial forecasts as at February 2018, are dependent on the receipt of £2.7 million of eHealth funding in the current year and retained carry forward from 2016/17 of £3.583 million

In 2016/17, NHS Tayside received funding of £2.582 million which the Board agreed with eHealth Leads that it would carry forward to 2018/19 rather than repaying in 2017/18. In addition, towards the end of 2017/18, the Board's Director of Finance requested the transfer of a further £2.7 million being the eHealth surplus monies from 2017/18.

NHS Tayside (continued)

Transactions and impact on underlying financial position continued

From review of NHS Tayside's Directors' Group Finance Briefing paper (14 February 2018) the receipt of these monies is essential to enable the Board to deliver its targeted outturn position. The paper identifies that one of the following risks to the delivery of a £5 million 2017/18 outturn position included the following risk: £2.7 million of "eHealth funding transfer from NSS, required to support deferred spend target". The paper goes on to note that "verbal and email agreement received from NSS. Transfer requires to be processed through SGHSCD allocations in February".

Finding 2: NHS Tayside's reported financial performance may be misrepresented for the past five years. The Board recognised allocations that were communicated at the eHealth working group as being 'held' on behalf of eHealth Leads (other health boards) to support their underlying financial performance.

Processes

The carry forward of the eHealth reinvestment fund balance was part of the overall eHealth financial strategy to meet future year financial pressures. Agreement to the receipt of transfers of year end surplus balances of eHealth funding was through email confirmation from either the NHS Tayside Director of Finance or NHS Tayside Director of eHealth, to eHealth and NSS. From review of Finance and Resources committee papers and supporting documentation, there does not appear to have been any wider consultation or approval for these transactions within the Board. The NHS Tayside Head of Finance and, on occasion, the NHS Tayside eHealth Director were also included within email trails. However, representation from NHS Tayside was through the Director of Finance.

We understand that there are currently no documented procedures around required approval or agreement to revenue allocation changes. The NHS Tayside Director of Finance made representations on behalf of NHS Tayside to agree to the receipt of additional allocations each year as well as the subsequent repayment of the amounts. There is no independent review and authorisation of these transactions.

Finding 3: There is a lack of controls in place at NHS Tayside around the approval for amendments to revenue resource allocations to the Scottish Government. In addition, due to the lack of transparency in financial reporting arrangements, there has been a lack of challenge or effective monitoring of allocation adjustments in year.

NHS Tayside (continued)

Processes continued

During 2017, the NHS Tayside Director of Finance made a specific request for the year end allocation of funding to be split across four different funds. Due to the lack of detailed records to support and authorise the Board's agreement to revenue allocation adjustments, we have been unable to confirm the rationale as to why the revenue allocation was requested in this manner. From consideration of NHS Tayside's financial monitoring reports we cannot find any rationale why the funds would require to be split. We do not consider this activity as indicating anything untoward as the Board reporting (as noted below) was not sufficiently transparent to allow the reader to easily identify the £2.582 million balance.

Oversight and review

We have reviewed NHS Tayside's year end outturn financial monitoring reports presented to the finance committee since 2012. We have also reviewed internal management reports summarising the financial performance in year presented to the Directors Group. The reports do not detail the nature of individual adjustments to revenue allocations each financial year. We found that the eHealth funding is not specifically referenced. The balance is included within 'earmarked reserves' and deferred expenditure. As NHS Tayside will never incur "expenditure" in relation to this revenue allocation as it will be returned to NSS via negative allocations in future years, we consider the recognition of this inappropriate.

Finding 4: The financial monitoring reports presented to the Directors Group and Finance Committee / NHS Tayside Board do not detail the eHealth transactions. Given the significance of the transaction values (£2.582 million in 2016/17) on the Board's reported outturn position we would have expected greater transparency in monitoring reports. Given the transaction was not explicitly reported in financial monitoring reports it would be difficult for other members of NHS Tayside senior management or the Board to be aware of the arrangement.

NHS Tayside (continued)

Earmarked reserves / deferred expenditure

NHS Tayside financial plans recognise amounts that are earmarked for the financial year. This includes amounts defined as ‘deferred expenditure’ relating to funding received from SGHSCD but for which the costs will not be incurred for future years. The Directors’ Group Finance Briefing paper (14 February 2018) outlines the projected financial position for the year ended 31 March 2018. This paper is signed by the Strategic Director of Finance, the Director of Finance and the Head of Finance. From our review we have identified that the eHealth monies subject to our investigation are included within a wider reported balance of deferred expenditure.

NHS Tayside have “over many years” had a process whereby its financial plans incorporate an element of deferred expenditure i.e. costs incurred in delivering projects that may have slipped where funding from SGHSCD was received in the prior year. This would be partly offset by assumed levels of SGHSCD receipts that would not incur costs in the forthcoming year. This process resulted in the Board recognising SGHSCD funding without incurring the costs involved in the programme. This inconsistent with principles of annual resource allocations, whereby if boards are unlikely to incur the expenditure that the funding is for it should either be returned to the Scottish Government or an agreement to utilise in the current year.

Finding 5: The investigation of eHealth monies including review of financial budget and monitoring papers as well as discussions with the NHS Tayside Head of Finance, raises concerns around NHS Tayside’s financial management arrangements. There does not appear to have been any challenge from across the Board around the accounting treatment of eHealth monies as well as other monies recognised in year but for which expenditure was deferred to future years. This, in our view, demonstrates a lack of understanding around the principles of resource accounting within the NHS.

The NHS Tayside Strategic Director of Finance is undertaking a strategic review of the Board’s underlying financial position and rebasing financial plans which is due to report by 23 March 2018. While this review is ongoing, we would anticipate that there will be a significant increase in the forecasted budget gap and required levels of savings as the Board look to establish more robust financial plans. This will include the reliance on deferred expenditure, including eHealth, to manage the financial position.

Finding 6: The eHealth money transactions were not visible across either internal senior management financial reports or the Board / Finance and Resources Committee papers. While not in the scope of our review, we have significant concerns around the practices being followed by NHS Tayside in relation to the use of funds to offset expenditure to which the funding had not been provided. This process has been embedded into the Board’s financial planning and financial reporting processes for a number of years and therefore has partially masked the underlying operating position of the Board.

eHealth and Scottish Government

Transactions

The eHealth Leads includes representatives from across territorial health boards, national boards and the Scottish Government. From review of eHealth minutes and email correspondence from the NHS Tayside Director of Finance, NSS Head of Finance, and the former Deputy Director (eHealth) the rationale for NHS Tayside receiving the funds is inconclusive. Through discussions with the former eHealth Deputy Director and NSS Head of Finance, we have been informed that NHS Tayside were 'holding' the funds as that they had the capacity to do so. There does not appear to have been any challenge or scrutiny of this proposed arrangement either when it was initially established or in the subsequent years.

At the eHealth Finance subgroup meeting of 2 February 2015, the NSS Head of Finance noted at that "*there is a new Finance Director in NHS Tayside and the current arrangements may be an issue; IT to investigate this further however it was recognised that there is a Plan B in place if this is no longer appropriate*" The NSS Head of Finance, eHealth Lead from NHS Dumfries and Galloway and former eHealth Deputy Director have informed us that the 'Plan B' was to return the funds to the Scottish Government. This option was not considered as NHS Tayside were comfortable to continue with the arrangement.

The treatment of the eHealth funds is inconsistent with Scottish government funding principles of annual resource allocations to meet annual challenges. There appears to have been a degree of naivety across eHealth leads members around the impact on NHS Tayside of 'holding' funds on behalf of eHealth as well as within the Scottish Government when these transfers were requested. Discussions with senior members of eHealth indicate that the primary focus of the group was the delivery of a multi-year national programme and therefore there was not a significant level of focus around financial year end balances. Furthermore, the membership of the eHealth Leads group was predominantly project and technical specialists and therefore limited financial experience.

Finding 7: From review of the eHealth committee and finance sub-committee we noted a lack of scrutiny and challenge from eHealth leads to question the nature of the arrangements in place to allow NHS Tayside to 'hold' the funds. This was partly due to historic arrangements with NHS Tayside and in our review a lack of NHS finance experience on the group to challenge the arrangements. It appears that decisions were being made at this forum that were directly impacting on Boards' resource allocation but without sufficient financial representation.

eHealth and Scottish Government (continued)

Transactions continued

We have inconsistencies in key parties understanding around responsibility for eHealth funds. From discussions with the former eHealth Deputy Director as well as the NSS Head of Finance and NHS Tayside Head of Finance, there does not appear to be a clear understanding of roles and responsibilities in relation to the transfer of revenue resource allocations. In our opinion this is ultimately the responsibility of the eHealth Deputy Director.

Finding 8: The Deputy Director eHealth has responsibility for ensuring resources under his remit are expended appropriately. In our view, the approval to transfer allocations to NHS Tayside at the end of each financial year was inappropriate given the former Deputy Director of eHealth was aware these funds would not be utilised by NHS Tayside in year for the purposes intended. We acknowledge that colleagues from NHS Tayside and NSS have their own duty of care surrounding the use of these funds as well as the wider eHealth leads group. From review, there appears to be limited financial support available to the Deputy Director of eHealth with significant reliance on information provided by the NSS Head of Finance.

eHealth and Scottish Government (continued)

Scottish Government finance

The resource transfer requests are passed on by the authoriser (Deputy Director of eHealth) to officers within the Scottish Government Health directorate for processing. These funds are processed with authorisation from the relevant budget holder (eHealth Deputy Director) within the Scottish Government and the budget allocation is adjusted through revenue resource allocation process. The allocations form part of the SGHSCD standard funding allocations arrangements. While there may have been an opportunity for more robust scrutiny of these transfers centrally, there are a significant volume of allocation adjustments processed across all health boards throughout the year. In addition, negative allocations to boards are not unusual transactions and in the context of health board revenue allocations, the balances being transferred are not significant. Consequently, there is an inherent reliance on scrutiny and authorisation from budget holders to ensure that the transfer is appropriate.

We have noted that currently the narrative to support the revenue resource transfers is limited on the resource transfer request form. Therefore we would have expected greater scrutiny of the supporting email trail to enable the finance team to understand the rationale for the transfer and sense check that it was appropriate. The email trail would have highlighted the purpose of the funds transfer. In our opinion this should have resulted in concerns being escalated sooner around the appropriateness of the arrangement. Furthermore, for the authorisation of Out of Hours and CHI balances in 2016 and 2017, senior officers within the Scottish Government, including the Head of Primary Care, were included in email trails that noted that NHS Tayside were retaining funds.

Finding 9: Whilst we recognise that the revenue resource transfers are authorised by appropriate budget holders within the Scottish Government, we would expect there to be scrutiny of these within finance before processing. Given the limited information on the transfer form, our expectation would be that the supporting email trail would have been reviewed which should have highlighted that a Health Board was holding balances at the year end.

From review of the revenue resource transfers since 2012 relating to eHealth monies between NHS Tayside, NSS and the Scottish Government, we have confirmed that all but one transaction has been authorised by the Deputy Director of eHealth. During 2016/17 the return of £647,000 of eHealth resource allocations from NHS Tayside to NHS NSS via the Scottish Government did not include formal email confirmation from the Deputy Director of eHealth. However, we are satisfied that there was sufficient oversight through the initial transaction (i.e. known this was due for return) and from minutes of the eHealth Leads group that the Deputy Director was aware of this transaction. However, it still should have been formally authorised.

eHealth and Scottish Government (continued)

Governance and oversight

Whilst we recognise financial performance is discussed, we believe the quality of the financial reporting could be significantly enhanced. From review of the financial monitoring reports we identified that the £1.932 million allocation to NHS Tayside was reported as coming from the Scottish Government's eHealth budget allocation (circa £7 million) rather than from the reinvestment fund (as described in the allocation). In addition, the tracker does not cover the additional allocations that were made to NHS Tayside for Out of Hours and CHI funds. While these fall within the overall eHealth budget they don't form an explicit part of the reinvestment fund.

During 2016/17, the SGHSCD Financial Performance Manager met with representatives from NSS which we understand was to discuss overall national programme finance, including eHealth. While the meetings were not minuted, NSS internal audit clarified that the papers included reference to NHS Tayside retaining funds on behalf of the eHealth programme.

Finding ten: There are opportunities to enhance the current financial monitoring arrangements in place across the eHealth Leads group as well as the finance sub-committee to provide more transparent monitoring for the group of the overall programme. While we acknowledge that the Scottish Government eHealth central budget is not within the remit of the eHealth Leads group, it is important to ensure transparency of amounts reported.

Whilst we have identified opportunities to enhance the financial reporting and monitoring arrangements, discussions with various members of the eHealth Leads group and review of minutes makes it clear that there was a clear understanding that NHS Tayside were 'holding' the funds on behalf of eHealth. However, what was not clear or considered at the meetings was the implications for accounting for such arrangements.

Appendix 1: Contacts list

The individuals engaged as part of this review:

Review sponsor

Director of Finance, Scottish Government Health and Social Care Directorate

Scottish Government Health and Social Care Directorate

Scottish Government Health & Social Care

Digital Health Governance & Programme Office Manager

Scottish Government – eHealth

Former Deputy Director eHealth

Interim Deputy director eHealth (eHealth Lead NHS Dumfries and Galloway)

NHS National Services Scotland

Head of Corporate Reporting

Head of Finance (IT)

NHS Tayside

Strategic Director of Finance

Director of eHealth

Head of Finance

Documentation

SGHSCD revenue allocations 2012 – 1017 for NHS Tayside and NHS NSS

NSS Internal Audit report and subsequent clarification letter with respective attachments (19/03/2018)

Minutes of the eHealth Leads Group meetings 2012 - February 2018

Minutes of the eHealth Leads Finance Subgroup

Minutes of the NHS Tayside Board meetings and Finance and Resources Committee

Minutes and Finance Papers from the NHS Tayside Directors meetings

email correspondence provided by SGHSCD and others relating to funding requests and approvals over the timeline



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This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78851-747-8 (web only)

Published by The Scottish Government, March 2018

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS390346 (03/18)

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