NHS National Services Scotland

Investigation of eHealth funds

Summary of findings and conclusions

12 March 2018
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**Notice:** Please note that the Engagement Letter dated 5 March 2018 makes this Report confidential between NHS National Services Scotland ("NSS") and us. It has been released to NSS on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. Any disclosure of this Report beyond what is permitted under the Engagement Letter will prejudice substantially this firm's commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If NSS receives a request for disclosure of the product of our work or this Report under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, having regard to these actionable disclosure restrictions, NSS should let us know and should not make a disclosure in response to any such request without first consulting KPMG LLP and taking into account any representations that KPMG LLP might make.
1. Introduction

Background

It came to the attention of the Chief Executive of NHS National Services Scotland ("NSS") that there may be irregularities in the provision of eHealth funds between NSS, NHS Tayside and NHS Scotland eHealth ("eHealth"), including Scottish Government eHealth Division ("SG eHealth").

This came to light as the result of a request to Scottish Government ("SG") to process an allocation adjustment in respect of eHealth national programmes budgets in 2017-18, which raised concerns regarding the appropriateness of the practice.

KPMG, in our role as internal auditor to NSS, was asked to investigate the facts in relation to this practice.

Scope of work

Our scope of work was to establish the facts regarding the following:

- National eHealth funding allocation, receipts and transfers within NSS.
- Compliance with relevant NSS governance arrangements and internal controls.
- Who in NSS was involved in and/or aware of the matter and the decisions taken as regards allocation, receipts and transfer of eHealth funding.
- The accuracy of financial reporting as regards the transfer of eHealth funds and whether there has been any financial impropriety.

The focus of our review was on the activities, transactions and decisions taken within NSS. Our scope of work did not include investigating the involvement of NHS Tayside or the SG eHealth — other than identifying and reviewing relevant documents held by NSS which involve these other entities.

Work done

We commenced our work on 5 March 2018. We have performed the following work:

- We have reviewed the minutes of eHealth Leads and eHealth finance subgroup meetings from 2012 to 2017 to identify the extent of discussion around the issues being investigated.
- We have reviewed NSS Board minutes, Finance and Performance Committee minutes, Audit and Risk Committee minutes to identify any reference to the issues being investigated. We also reviewed the EMT action sheets and Chief Executive updates.
- We have vouched movements in eHealth funding allocations to summaries received from Scottish Government and to internal NSS funding allocation control documents ("M Forms" and the "allocations tracker")
- We have interviewed staff in NSS involved in the financial and operational management of eHealth and the financial management of NSS funding allocations.
- We have reviewed email correspondence relating to the funding allocation movement in question.
1. Introduction (cont’d)

Report structure
Our report is structured as follows:
— In Section 2, we have set out an executive summary of our findings
— In Section 3, we have set out our understanding of the background to eHealth, the re-investment fund created by eHealth and budget allocations
— In Section 4, we set out a timeline of the relevant individual budget allocation changes in the years 2012-13 to 2017-18.
— In Section 5, we set out the governance weaknesses identified by our work and associated recommendation

Caveats and restrictions
The report sets out our findings based upon work performed up to 9 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.

This document is strictly private and confidential and has been prepared for NSS under the terms of our engagement letter to help NSS understand the facts regarding the transfers of eHealth allocations. It should not be copied, quoted or referred to, in whole or in part, or used for any other purpose, without our prior consent in writing. Any other party who receives a copy of this report and chooses to rely on it, does so at its own risk.

Our work does not constitute an audit and does not provide the same level of assurance as an audit. We have based this report on documentation provided to us by NSS and interviews with NSS staff. We have set out in this report the extent of verification undertaken and no further verification should be inferred.
2. Executive summary

Background

- eHealth is a national programme which is managed by NSS. It has governance outside of NSS by way of an eHealth Leads Group which includes senior IT representatives from the regional boards, NSS and other national boards and representatives from Scottish Government eHealth Division (‘SG eHealth’).

- However, NSS has an important role in the delivery of services to eHealth, both in terms of certain national business as usual (‘BAU’) IT activities and new projects. This role is reflected in a service level agreement (‘SLA’) between eHealth and NSS. NSS receives funding under the SLA for eHealth programmes and projects from each of the other boards. It also receives funding directly from SG eHealth.

- NSS Finance (IT) manages the reporting of the eHealth financial position against budget and reports monthly to the eHealth Leads (and for a period to an eHealth finance subgroup set up to deal with financial issues).

Transfers of unspent budget allocations to NHS Tayside

- We have identified that it was agreed by the eHealth Leads in 2012-13 (as minuted) that an underspend caused by planned efficiencies and unplanned slippage in the use of the eHealth reinvestment fund (of £0.870 million) would be “carried forward” by NHS Tayside as it had the ability to do so. This was transacted by means of NSS receiving a reduced 2012-13 funding allocation from SG eHealth to reflect the efficiency/slippage, with NHS Tayside then receiving an equal and opposite increase in its funding allocation. This was to be reversed the following year, effectively returning the funding allocation to NSS.

- KPMG has no visibility of the NHS Tayside side of these transactions.

- We have identified that his process has taken place each year thereafter for sums ranging between £0.538 million and £2.582 million. We have seen email correspondence and allocation letters from SG which show there was transparency within the eHealth group of this practice, including involvement of SG eHealth.

- We have also verified that the NSS leg of these transfers is reflected in allocation summary letters received monthly from SG Finance.

- The reversal of these transactions took place each following year, with the exception of 2016-17. The sum transferred in 2016-17 and not yet returned to NSS by SG eHealth was £2.582 million.

- The sum proposed to be transferred in 2017-18 was an additional £2.7 million. The proposed 2017-18 transfer has not been effected.

Carolyn Low (DoF) of NSS has confirmed that NSS has no authority to transfer budget allocations to other health boards. Our work has identified no such transfers of budget allocations from NSS to other health boards. The budget allocations transferred to and from SG in respect of eHealth are accurately recorded by NSS and supported by allocation letters and email correspondence. We have identified no evidence of any financial impropriety in NSS in respect of these transfers.

Additional specific issues identified

- In 2015-16, an additional funding allocation was received from SG e-Health (in February 2016) of £2 million relating to the Primary Care GP IT Digital fund / eHealth Reinvestment Fund and £0.647 million related to Hospital Electronic Prescribing and Medicines Administration. The £0.647 million was then transferred from NSS back to SG eHealth to go to NHS Tayside under the transfer mechanism which had operated in prior years. The £0.647 million was processed as a negative allocation to NSS in 2016-17. The £2 million funded an existing deficit within an eHealth project.
2. Executive summary (cont’d)

For 2016-17, a figure of £2.582 million was agreed and reflected on the allocation schedule received by NSS from SG Finance as a single negative allocation sum. Subsequently, a request was received by email from the FD of NHS Tayside to NSS, copied to others within the NSS IT function, to breakdown the £2.582 million into smaller sums and to amend the descriptions of the allocations. This was done and it was reflected in a later version of the allocations schedule from SG where the original description and single sum had been replaced with multiple smaller sums with different descriptions. We have found no evidence to indicate that anyone within NSS flagged this as being unusual or that it was escalated within the organisation.

— The summary of 2017-18 IT budget allocations (including eHealth elements) prepared by the IT SBU and sent to NSS Finance was amended in January 2018. In previous months it has reflected that there was an outstanding reversal of the £2.582 million funding which had been deferred at the end of 2016-17. However, on the basis that only £0.350 million was actually needed by the eHealth programme in 2017-18 and the rest could be deferred for another year, the schedule was amended to show an expectation of £0.350 million of funding returning in 2017-18. As a result, visibility was lost in NSS and eHealth financial reports that there remained £2.2 million of eHealth funding which had not been returned to NSS.

NSS governance arrangements

— Our investigation has identified that, as far as NSS employees involved in these eHealth allocation transfer arrangements are concerned, the arrangements were sanctioned by Scottish Government with full transparency. The correspondence and minutes support this.

— The NSS representatives on the eHealth Leads forum are no more responsible than the representatives of other boards or the SG eHealth representatives for a situation where NHS Tayside may not have properly treated the additional allocations received from SG eHealth in its financial statements.

— There is no expectation by those who govern eHealth that that it falls within NSS’s governance arrangements. Internally in NSS, there is a similar expectation. There is therefore limited visibility of the day to day running of the eHealth programme in NSS executive team meetings or the NSS Board. Therefore NSS employees have responsibilities for elements eHealth governance but they do not operate within the additional support structure afforded by the entity that employs them.

— As a result, there is limited financial or risk management of the day to day delivery of the eHealth programme by any NHS body and it does not fall within the SFIs of NSS. No organisation has responsibility for managing its finances or identifying the risks it faces. The NSS board has considered specific eHealth delivery risks when escalated to it, such as in respect of the SWAN implementation and CHI replacement business case. This does not extend to regular delivery reports.

— The specific unusual issues identified by our work: being the appropriateness of the use of this agreed mechanism to manage eHealth budgets across financial periods; the request by NHS Tayside to change descriptions and amounts of allocation letters; and the change made to the IT budget allocations which resulted in a loss of visibility of sums due back from NHS Tayside to NSS via SG eHealth, would have been more likely to result in escalation within NSS had there been more oversight of eHealth within NSS.

— NSS has therefore borne risks relating to eHealth which have not been visible to the executive leadership team or the board.
2. Executive summary (cont’d)

Summary of recommendations

Our detailed recommendations are set out in Section 5, below and are summarised here:

— A control requiring appropriate NSS authorisation to be obtained and recorded should be introduced in respect of changes to NSS funding allocations above a de minimis, regardless of how such changes are proposed or initiated.

— The eHealth programme should be monitored by the NSS finance and performance committee at individual project level. Significant variations should be reported to the board and changes in the application of funding should be subject to virement controls.

— The NSS SFIs should be updated to set out the authorisation, management and reporting requirements for all national programmes. There should be an associated risk management and risk escalation process.

— All funding allocations received from or returned to SG where there is an associated requirement for a reversal in a later period should be retained on a listing held by NSS central finance. Changes above a de minimis should only be made with SBU director authorisation.

— All finance team members should be reminded of their lines of responsibility and reporting, including escalation of significant changes to income and expenditure.

— Consideration should be given to refreshing training to finance staff on how to identify and respond to red flags that may indicate matters of concern or matters which increase NSS’s risk.
3. EHealth funding and NSS’s role

For context, we set out below background to eHealth, the re-investment fund and funding allocations.

**eHealth**

- The Scottish Government eHealth strategy covers the period 2011-2017 and describes eHealth as the use of ICT to meet the needs of individuals and improve the health of citizens including the electronic information recording and sharing between individuals and bodies. eHealth governance is led by the eHealth Leads Group, which includes representatives from NSS, SG eHealth and the regional and national health boards. That group meets once per month, for a full day to discuss and agree priorities and actions for eHealth.

- There has also been, from time to time, an eHealth Finance sub-committee which includes a smaller subset of representatives from NSS, SG eHealth and some of the other boards. The focus of that sub-committee is to provide financial governance and oversight for National eHealth Funds that have been delegated to the leads group and advise on funding and profiling of expenditure.

- The budget allocations for eHealth come from SG to the regional and national boards, within their wider IT budget allocations. NSS runs various national IT programmes and projects within eHealth, including the management of various BAU IT activities, such as SWAN under a Service Level Agreement ("SLA"). To fund that activity, the eHealth proportion of boards' IT budgets is passed to NSS using the 'payments on behalf of boards' process.

- NSS manages progress vs budget across the eHealth projects and programmes and prepares the reports which are presented to the eHealth finance subgroup meetings and also to the eHealth Leads Group meetings.

We are informed that the same NSS controls and processes regarding expenditure apply to eHealth programmes and projects as other IT projects and programmes managed by NSS. This area is not the focus of our work.

**The reinvestment fund**

- eHealth Leads agreed to set up a fund to which planned and unplanned savings in underlying in-year BAU spend were transferred, to go towards costs in year associated with development and improvement projects within the eHealth portfolio of technology programmes.

- In financial year 2012-13, it was agreed by the eHealth Leads Group (and minuted) that an unspent balance on the re-investment fund would be carried forward into 2013-14 by NHS Tayside. That year end the transfer of unused budget allocations to NHS Tayside thereafter took place each year thereafter and it is this practice which has now come under scrutiny.

**Budget allocations**

- In addition to eHealth funds received from the other boards, NSS receives an allocation of eHealth funding directly from SG eHealth (allocations as one of the national boards and separate allocations reflecting NSS’s capabilities as regards the running of national IT project and programmes). It also receives funding from SG Finance for a wider range of IT activities outside the scope of eHealth.

- NSS Finance controls all budget allocations received from SG through an “allocations tracker”. This tracker provides a consolidated view of the expected and actual agreed funding allocations from SG.

- The IT SBU, as with other SBUs in NSS, controls the entries on the tracker through completion of monthly “M Forms” which are part of SBU reporting of spend and budget allocations.